



Daily Report

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CONTENTS

19 April 1988

INTERNATIONAL AFFAIRS

General

U.S. Attacks Iranian Vessels, Oil Platforms	1
White House Spokesman Comments	1
Reagan Warns Iran	1
Iran Accuses U.S. of Attacking Battlefield	2
Foreign Ministry Urges End to Military Conflict	2
U.S. Hostage Reported Killed in Lebanon	3
Qian Qichen Interviewed on Diplomatic Work	3
ESCAP Official on Asia-Pacific Development	4
'Round-Up' on Uncertainties After IMF Meeting	5
Nanjing Hosts International Plastics Symposium	6

United States & Canada

U.S. State Department Official Tours Tibet	6
America's Possible 'Decline' Discussed /RENMIN RIBAO 13 Apr/	6
'Round-Up' on U.S. Debate on Trade Bill	7
Sino-U.S. Venture Does Well in Tianjin	8
McDonnell-Douglas To Use Shanghai-Made Parts	9
Li Peng Greets Shanghai Sino-U.S. Joint Venture	9
Premier Li Peng Meets Billy Graham	9
Supreme Court Chief Meets American Guests	9
U.S. Surgeon General Discusses China Visit	9
PRC Official Speaks at World Bank Meeting	10
NPC Official Meets Canadian University Officials	10
Communications Joint Venture Planned With Canada /CHINA DAILY 5 Apr/	10
Agreement Signed	10

Soviet Union

Search for Wider U.S.-Soviet Trade Analyzed	11
Soviet Ambassador on Afghan, Cambodian Issues /Hong Kong WEN WEI PO 19 Apr/	12
'Round-Up' Discusses 'Arafat's Visit to Moscow	12
Soviet Paper Admits Anti-Reform Letter Mistake	13

Northeast Asia

Japanese Special Envoy Conducts Official Visit	13
Meets With Wan Li	13
Talks With Deng Xiaoping /KYODO/	13
Deng on Relations	14
Rightists Stage Protest at Consulate in Japan	15
NPC Official Meets Japanese Assembly Visitors	15
Japanese Prefectural Delegation in Zhejiang /ZHEJIANG RIBAO 9 Apr/	15
Hu Sheng Meets Japanese Industrial Delegation	16
Sino-Japanese Management Center Successful	16
Japan Discusses Sending Troops Overseas	16
DPRK Embassy Shows Film on Kim Il-song Birthday	17
DPRK Meeting Calls on South To Respond to Talks	17
Sino-Mongolian Border Trade Talks End /NEIMENGGU RIBAO 30 Mar/	17

Southeast Asia & Pacific

VNA Reports India Supports Vietnam on Spratlys	18
Malaysian Minister Urges Trade with PRC	18
Direct Shipping Link Set Up With New Zealand	18
Vanuatu President Receives Vice Foreign Minister	18
Company Invests in Joint-Venture in Sri Lanka <i>/CHINA DAILY (BUSINESS WEEKLY SUPPLEMENT) 18 Apr/</i>	19
Aquino To Respect Base Agreement Until 1991	20
Thai, Lao Troops Clash at Border 16 Apr	20

Near East & South Asia

Officials, Media React to Al-Wazir Assassination	20
Li Peng Sends Condolences	20
Envoy Expresses Condolences	21
Foreign Ministry Statement	21
Paper Decries Death <i>/RENMIN RIBAO 19 Apr/</i>	21
U.S. Navy Attacks Two Iranian Oil Platforms	21
PRC Calls for Forceful UN Measures in Mideast	22
Reactions to Geneva Accord on Afghanistan	22
Foreign Ministry Statement <i>/RENMIN RIBAO 16 Apr/</i>	22
Daily Discusses Future <i>/RENMIN RIBAO 17 Apr/</i>	22
Paper Comments <i>/RENMIN RIBAO OVERSEAS EDITION 16 Apr/</i>	23
XINHUA 'News Analysis'	24
CHINA DAILY Comments <i>/16 Apr/</i>	25
Withdrawal Outlined	26
Sino-Arab Chamber of Commerce for Syria	26
Iranian Army Day Marked in Beijing	26

West Europe

Zhao Interviewed by French Reporter	26
PRC-Portugal Liaison Group Ends Meeting on Macao	27
Greek President Arrives for Official Visit	27
Interviewed on Visit	27
Economic Ties To Improve	28
Tourist Cooperation Agreement With Greece Signed	28
Tian Jiyun Meets Irish Trade Minister <i>/CHINA DAILY 14 Apr/</i>	29
Wang Shoudao Meets FRG University Guests	29
Joint-Venture With Netherlands Starts	29

NATIONAL AFFAIRS

Li Peng Announces State Council Members' Duties	30
Wang Bingqian Delivers 1988 Budget Report <i>/RENMIN RIBAO 17 Apr/</i>	30
Wu Xueqian Gets Special Tourism Responsibility	37
Li Peng Government Work Report Published, On Sale	38
Foreign Officials Greet Newly Elected Leaders <i>/RENMIN RIBAO 12 Apr/</i>	38
Article Views NPC, HONGQI, Price Reform <i>/Hong Kong CHING PAO 10 Apr/</i>	39
Commentary Encourages Vigilance Against Fraud	44
Priority for Educational Funds Stressed <i>/CHINA DAILY 19 Apr/</i>	45
Universities Can Accept Self-Supporting Students	46
Universities Look for Alternative Funding	47
State Family Planning Commission Meets <i>/CHINA DAILY 19 Apr/</i>	47
Family Planning Policies Having Effect	48
RENMIN RIBAO on China's Population Problems <i>/15 Apr/</i>	48
Industrial Pollution Reportedly Serious <i>/CHINA DAILY 19 Apr/</i>	50
Redistribution of Urban Workers Necessary <i>/CHINA DAILY 19 Apr/</i>	50
Correspondence Agrotechnology Courses Offered	51
Commentator's Article Views Enterprise Law <i>/RENMIN RIBAO 16 Apr/</i>	51

Southwest Economic Coordination Meeting Opens	52
Li Xiannian Stresses Agriculture in Henan	54
More Loans Guaranteed for Agriculture	54
Protection of Status of Agriculture Urged [NONGMIN RIBAO 4 Apr]	54
NONGMIN RIBAO on Grain Development Strategy [2 Apr]	56
Tougher Railway Law Expected Within the Year [Hong Kong ZHONGGUO TONGXUN SHE]	61
New Railway Will Open Shorter Trade Route [CHINA DAILY (BUSINESS WEEKLY SUPPLEMENT) 18 Apr]	61
Stamps To Mark Hainan Province Establishment	62

REGIONAL AFFAIRS**East Region**

Fujian Foreign Contracts Increase Over 1987	63
Wan Shaofen Inspects Fuzhou Prefecture [JIANGXI RIBAO 4 Apr]	63
Jiangxi Official at Briefing on Pricing Reform	63
Jiang Zemin Addresses Shanghai CPC Plenum [JIEFANG RIBAO 10 Apr]	64
Shanghai Moves To Cut Down Traffic Accidents	65
Zhejiang Workers Active in Price Control	65
Zhejiang City Simplifies Foreign Investment	65

Central-South Region

Guangdong Leader Stresses Discipline Inspection	66
Company Expands Investment in Guangdong	66
Guangdong City Begins Large-Scale Construction	66
Guangxi Cadre Meeting Relays NPC Guidelines	67
Guangxi Leader Addresses Song Festival Tea Party	67
Guangxi Meeting Greets Beijing Press Delegation	67
Guizhou Meeting Stresses Discipline Inspection	68
Guizhou Leader Stresses Improving Party Style	68
Nine-Man Group in Charge of Hainan Province	69
Hainan Leader Hails Establishment of Province	69
Hainan Province Speeds Port Construction	69
Henan Radio Urges Meeting Economic Challenge	70
Henan Commentary Urges Conserving Farmland	70
Hunan Delegates Special Powers to Hengyang City	71

Southwest Region

Yunnan Holds Election Consultative Meeting	71
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North Region

Beijing First Quarter Export Figures Up	71
Beijing Industrial Output Up in First Quarter	71
Beijing Develops Social Welfare Network	72
Official Notes 'Serious' Beijing Air Pollution	72
Shanxi Mines Benefit From Contract System	72
Poor Management Ruins Shanxi Brewery	72
'Big Demand' for Sex Education in Tianjin	73

Northeast Region

Heilongjiang Builds Export Bases, Boosts Exports	73
Heilongjiang Scientists Survey Wasteland	73

TAIWAN

Radio Commentary Reviews Taiwan Relations Act	74
Principles in Buying U.S. Goods Outlined	74
Premier on Mainland Trade, Meets U.S. Editors	74
Economic Minister Warns of Investing in Mainland	75
Limits of Peking, Moscow Openness Noted	75

General

U.S. Attacks Iranian Vessels, Oil Platforms

OW181852 Beijing XINHUA in English 1819 GMT
18 Apr 88

[Text] Washington, April 18 (XINHUA) — An Iranian Navy frigate was attacked and set afire by two American jet fighters and a destroyer today in the Strait of Hormuz, the Pentagon said this morning.

The confrontation occurred about seven hours after U.S. warships attacked two Iranian oil platforms in the southern Gulf early today in response to what the White House said is Iran's recent resumption of mine-laying in international waters and its mine attack last week on the frigate USS Samuel B. Roberts.

Pentagon spokesman Dan Howard said the attack on the Iranian frigate occurred at 8:30 a.m. Washington time, when the Iranian frigate Sahand "was noticed closing rapidly upon three U.S. warships."

"The Sahand ignored repeated warnings from a U.S. E-2 aircraft to turn away or to be considered hostile," the spokesman said. "At about 8:30, the Sahand fired upon three (U.S.) A-6 Intruder aircraft on patrol in the area."

Howard said the U.S. aircraft "returned fire with two Harpoon missiles and a number of laser-guided bombs," and the Sahand was on fire and heavily damaged and "the smoke is so heavy that it's difficult to do a further assessment at this point."

Howard said the confrontation occurred about 10 miles southwest of Iranian Larak Island.

Earlier, U.S. Defense Secretary Frank Carlucci told a news conference that an Iranian patrol boat was sunk after it approached American vessels "with obvious hostile intent" and disregarded warnings to leave.

White House Spokesman Comments

OW181842 Beijing XINHUA in English 1805 GMT
18 Apr 88

[Text] Washington, April 18 (XINHUA)—U.S. warships attacked two Iranian oil platforms in the Gulf early today in retaliation for last week's mine blast that almost sank an American frigate and for Iranian mine-laying in international waters, the White House announced early this morning.

Appearing before reporters at the White House shortly after 3:30 a.m. Washington time, spokesman Marlin Fitzwater said President Ronald Reagan ordered the attack "in response to Iran's recent resumption of mine laying in international waters and its mine attack on the USS Samuel B. Roberts."

The spokesman said six American warships participated in the shelling of the Sirri and Sasan oil platforms in the southern Gulf, 18 miles off Iranian Sirri Island.

Fitzwater said he had no reports of American or Iranian casualties resulting from the attacks, which began two hours before the White House announcement.

He said the two oil platforms were used "as command and control radar stations for the Iranian military."

The spokesman said the U.S. attacks "represent a measured response to Iran's unlawful use of force against the United States and to Iran's numerous violations of the rights of other non-belligerents."

"The Government of Iran should understand that we will protect our ships and our interests against unprovoked attack," Fitzwater said.

United States Navy frigate USS Roberts hit an underwater mine last Thursday while on patrol in the Gulf. The blast injured 10 U.S. crew members and flooded the ship's engine room.

Fitzwater said the White House had "conclusive evidence" Iran had laid the mine that hit the frigate and had laid other mines in the area.

"The Government of Iran has repeatedly been warned about the consequences of such hostile acts," the spokesman said. "Our actions ... are designed and intended to deter further Iranian mining."

Fitzwater reported the U.S. action was decided last night during President Reagan's meetings with his top aides, including Vice President George Bush, Defense Secretary Frank Carlucci, Secretary of State George Shultz, National Security Adviser Colin Powell and White House Chief of Staff Howard Baker.

The attack on the Iranian platforms was the second of its kind since the United States began escorting Kuwaiti oil tankers through the Gulf last July 21 to protect them from possible Iranian attacks.

On Oct. 19, a raid was staged in retaliation for a missile attack on a Kuwaiti ship flying the American flag in which 18 Americans were injured. Two Iranian platforms were destroyed in that attack.

Reagan Warns Iran

OW190518 Beijing XINHUA in English 0012 GMT
19 Apr 88

[Text] Washington, April 18 (XINHUA)—U.S. President Ronald Reagan, defending the American shelling of Iranian targets in the Gulf, warned today that Iran will "pay a price" for attacking U.S. ships or laying mines in the Gulf.

On Reagan's order, U.S. forces destroyed two Iranian oil platforms in the southern Gulf early today, then sank an Iranian guided-missile patrol boat and hit two Iranian frigates involved in Tehran's retaliatory attacks.

The White House said the U.S. actions were in response to Iran's recent resumption of mine-laying in international waters and its mine attack last Thursday on the USS frigate Samuel B. Roberts.

In a statement issued this afternoon, President Reagan said, "We've taken this action to make sure the Iranians have no illusions about the cost of irresponsible behavior." "We aim to deter further Iranian aggression, not provoke it," he said.

The President went on to say that "they must know that we will protect our ships, and if they threaten us, they'll pay a price."

"A more normal relationship with Iran is desirable. We're prepared for it," Reagan said. "But such a relationship is not possible so long as Iran attacks neutral ships, threatens its neighbors, supports terrorism and refuses to end the bloody war with Iraq."

Meanwhile, State Department spokesman Charles Redman said that the United States had sent Iran a message today warning that any "further provocation or hostile Iranian military or terrorist action against U.S. personnel or targets will receive a firm U.S. response."

Redman said that five nations with naval vessels in the Gulf, Britain, France, Italy, the Netherlands and Belgium, were notified before U.S. took retaliatory actions against Iran today.

The spokesman said some other countries, including the Soviet Union, were notified at the time that the U.S. action commenced.

On Capitol Hill, congressional leaders, briefed last night by President Reagan before the U.S. attack Monday on two Iranian oil platforms, called the U.S. action "a very positive response" to Iran's mining of international waters in the Gulf.

They reportedly said that President Reagan was fully justified in retaliating against an Iranian mine attack that seriously damaged a U.S. frigate on patrol in the Gulf.

But Jesse Jackson, Democratic presidential candidate, had this to say, "On the one hand when we defend our soldiers who are in the Gulf it's the right thing to do. On the other hand, they're there in a crossfire of very ineffective and bad policy."

Iran Accuses U.S. of Attacking Battlefield

OW181558 Beijing XINHUA in English 1519 GMT
18 Apr 88

[Text] Tehran, April 18 (XINHUA)—Iran accused U.S. helicopters of attacking Iranian troops in the south of Iraq's Fao area.

Radio Tehran reported that U.S. helicopters Sunday night attacked for several times Iranian positions in the south of Fao, the Iraqi Gulf port occupied by Iran in 1986.

The Iranian forces made "prompt and decisive reaction" against the U.S. attacks, the radio said.

The radio reported that the U.S. helicopters bombed three Iranian oil platforms in the Gulf this morning, the Nasr platform, Salman platform, and Mobarak platform.

Last week, an American frigate Samuel Roberts was hit and damaged by a mine in the Gulf near the Iranian island of Farsi, and the United States charged Iran with having connection with the incident. But Iran denied the charge.

The radio warned the people of the country that they are fighting on two fronts, and urged them to go to the fronts.

The radio said that a heavy battle is under way in the Fao Peninsula. Iraq launched an attack Sunday morning on Iranian positions in northern Fao and claimed that it had broken through the Iranian defence line.

Today Iran accused Iraq again of using chemical weapons on the Fao war front. Iran charged that Iraqi helicopter gunships had used the Kuwaiti island of Bubiyan to attack Iranian positions.

Meanwhile, the war of cities between Iran and Iraq continued today. This morning, Tehran and the holy city Qom were bombed by Iraqi ground-to-ground missiles. A residential area in the northern part of the capital was hit by a missile.

The Iranian Government issued a statement today, describing the U.S. helicopter attacks as a conspiracy to save Iraq. The statement didn't warn against any revenge on the United States.

Foreign Ministry Urges End to Military Conflict

OW191030 Beijing XINHUA in English 1026 GMT
19 Apr 88

[“China Calls for Immediate Halt to Military Strike in Gulf”—XINHUA headline]

[Text] Beijing, April 19 (XINHUA)—China calls for an immediate halt to any military strike that might aggravate the tension in the Gulf and hopes that the parties concerned will exercise restraint, a Chinese Foreign Ministry spokesman said here today.

"We express our grave concern over the renewed U.S.-Iranian military conflict in the Gulf and the resultant heightened tension there," the spokesman said.

"China is always opposed to big powers' military involvement and intervention in the Gulf and stands for maintaining gulf security and freedom of navigation," he added.

U.S. Hostage Reported Killed in Lebanon
*OW181546 Beijing XINHUA in English 1443 GMT
18 Apr 88*

[Text] Beirut, April 18 (XINHUA) — The kidnapped U.S. Marine officer Col. William Higgins had been killed in the recent clashes between Shiite Moslem Amal movement and the Hizballah (Party of God) in South Lebanon, the radio "Voice of Lebanon" reported this morning.

However, a spokesman of the U.N. troops in South Lebanon immediately denied the claim that Higgins had been killed.

Higgins, 34, was the commander of the 75-member U.N. Truce Supervision Organization (UNTSO) which is working in cooperation with the 5,800-strong U.N. Interim Force in Southern Lebanon (UNIFIL). He was abducted by four gunmen on February 17 while travelling back from the southernmost city of Tyre to U.N. headquarters in Naqoura.

The radio said Higgins had been detained in the town of Gebashit in South Lebanon and was sent to the town of Sadigein on the south bank of Litani River by "Iranian revolutionary guards" before the Amal militia attacked gebashit.

According to the radio, a diplomatic car from the Iranian embassy in Lebanon had tried to transport Higgins to the south suburb of Beirut but it was very difficult to enter Sadigein. Then the militia men of Hizballah killed him for fear of the kidnapped U.S. officer being captured by the Amal movement.

Qian Qichen Interviewed on Diplomatic Work
*HK190415 Beijing XINHUA Hong Kong Service
in Chinese 1300 GMT 19 Apr 88*

[Report by Chai Shikuan (2693 0013 1401): "Promoting Diplomatic Work in the New Situation—An Interview With New Chinese Foreign Affairs Minister Qian Qichen"]

[Text] Beijing, 18 Apr (XINHUA)—As the international situation keeps developing and changing, what are the trends that merit attention at present? What jobs should be done to promote Chinese diplomatic work?

—With these questions in mind, this reporter interviewed newly appointed Chinese Foreign Affairs Minister Qian Qichen several days ago.

—Qian Qichen, 61, is full of vigor, has a clear train of thought, is straightforward in speech, and looks much younger than his age.

—He first talked about the development of the international situation from last winter to this spring. He said: U.S.-Soviet relations have tended toward relaxation since they signed treaties last December on the elimination of intermediate- and long-range missiles. This is only the beginning and is still far from the large-scale elimination of nuclear arms. Relaxation and dialogue will undergo a long and arduous process. However, relaxation is better than tension and dialogue is better than confrontation. The current development of the international situation is beneficial to the efforts of the people throughout the world for safeguarding peace and pursuing further developments. We should use this favorable situation to better implement an independent and peaceful foreign policy, to carry out wide-ranging international exchanges, to serve China's reforms and opening up to the world, and to promote the great cause of reunifying the country.

—Qian Qichen continued: The world is developing toward multipolarization, and this is another important trend in the current world situation. Since the relaxation of U.S.-Soviet relations after the signing of the INF treaty, there has been a growing trend of West European cooperation. In the meantime, West and East European countries have been increasing their contacts, thus promoting the development of peace forces in Europe. In Asia, Japan's economy is ascending and Japan has become an opponent of the United States; trade contradictions between these two countries are increasing.

—Qian Qichen remarked: Another important indication of multi-polarization is the strengthening of regional cooperation. The summit conference of the five Central American states formulated a peace program; the eight Latin American nations held a summit conference; the Arab League made a step forward in narrowing its differences and strengthening its unity through a summit; and African nations, the ASEAN, and the Gulf countries also convened summit conferences not long ago. These conferences have the following common point: Developing countries are seeking solutions to regional conflicts, regional cooperation, and debts without the participation of the superpowers.

—Qian Qichen pointed out that people should not lose sight of China's growing influence. The 13th CPC Congress and the First Session of the Seventh NPC have aroused strong repercussions in the world. Following the profound development of reforms and opening up to the world, China will have a stronger appeal to the world. This is an irresistible trend.

—At present, most socialist countries are carrying out reforms. Qian Qichen regarded this as the third important trend in the present international situation. He stressed that although various socialist countries embarked on different paths for their construction, they promoted their socialist cause in light of their specific conditions. Of course, there might be obstacles, difficulties and even complications on the path of reforms. But reforms are the trend of the times, and they will eventually advance and develop after overcoming difficulties.

—Foreign Minister Qian pointed out: In the climate of U.S.-Soviet relaxation, regional conflicts are at a stalemate. It is difficult for military means to produce efficacy. There has been an increasing demand for political solutions. This is another important trend in the present international situation. He stressed: Political solutions must follow a long and arduous course, and they need a basis. For example, the basis for solving Iran-Iraq conflicts is UN Resolution No 598. The basis for solving the Middle East issue is the just and reasonable solution of the Palestinian issue. The basis for solving the Cambodian and Afghan issues is the early withdrawal of all foreign troops, so that the peoples of these two countries can solve their problems without any foreign intervention.

—Qian Qichen regarded the big fluctuations of the world economy as the fifth trend in the international situation which merits our attention. He said: The stock market crash in the West in November last year reflected the fragility of the entire economy of the West. The severe imbalance of the Western economy, and the mounting debt of the Third World are important factors attributing to the instability of the world economy. Under such circumstances, trade protectionism has gained ground again. This is extremely harmful to the Third World. In the end, it will be detrimental to the developed countries also.

—Qian Qichen said: The economic situation in the Asian and Pacific regions is comparatively good. A momentum of sustained and rapid growth has been maintained. In particular, China's economic development has widely attracted the attention of various countries.

—Regarding future work of the Foreign Ministry, Qian Qichen emphasized the following two points: strengthening investigations and studies, and training cadres responsible for diplomatic work. He said: China's peaceful foreign policy of independence and initiative is clear and definite. The content of diplomatic work is all-embracing. Investigations and studies are a basis for implementing our foreign policy. Efforts must be made to profoundly understand and thoroughly analyze the international situation, the conditions of various countries, and their relations with China. Only thus can we obtain more substantial results in our diplomatic activities.

—Qian Qichen emphasized: The situation of reform and opening up has posed many new problems for cadres in charge of diplomatic work. They must be bold in accepting new things, and be good at learning new knowledge. On the basis of inheriting the fine tradition of China's diplomatic work, they should strive to make new achievements in the new historical period.

ESCAP Official on Asia-Pacific Development
*OW180522 Beijing XINHUA in English 1808 GMT
14 Apr 88*

[Text] Jakarta, April 14 (XINHUA)—A top official of the United Nations body in the Asia and Pacific region said here tonight that despite various difficulties the region has a very good chance for successful development in its economies.

In an interview with XINHUA, S.A.M.S. Kibria, executive secretary of United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), identified some of the major problems the countries in the region are facing.

He said the developing countries of this region are facing many problems and some countries face certain types of problems more than the others.

He said, all the countries face the problem of barriers to their exports. Protectionism is a major factor. It affects the developing countries with agricultural exports, manufactured goods and especially the exports of the least developed.

The low level of scientific and technological skill also hampered the development in the region, he said.

He stressed the importance of the development of human resources, saying that this is one of the high priority areas of the region.

He pointed out that the infrastructure such as roads, railway and telecommunication is also vital to the region's economic development.

Kibria urged the developing countries in the region to be united and negotiate with the developed countries from the position of strength on all economic and technical issues such as protectionism.

When there is a barrier from the developed countries in trade, the developing countries should try to increase trade among themselves, he said, pointing out that inter-regional trade is a very important factor within the region.

Our markets are vast. Instead of only depending on North-South trade, we should try to develop South-South trade, he said, noting that there are solutions to

the problems, though there would not be easy solutions. What is needed is that the developing countries should have unity and work together to seek solutions, he said.

'Round-Up' on Uncertainties After IMF Meeting
*OW160416 Beijing XINHUA in English 0313 GMT
 16 Apr 88*

[("Round-up: Uncertainties Linger Despite IMF Meetings (by Zhao Zijian)"—XINHUA headline]

[Text] Washington, April 15 (XINHUA)—Uncertainties about the world economic prospect linger on despite the gathering of the last few days where financial leaders of over 100 countries sought stability.

The spring meetings of the World Bank and the International Monetary Fund (IMF) ended here this evening with some progress but leaving an equal number of questions unsolved.

The biggest blow to the leaders was the reaction by securities and currency markets to the U.S. trade deficit yesterday, when the Dow Jones Industrials fell by 101 points and central banks of major industrial countries had to put in 500 million to 700 million dollars in market intervention to shore up the U.S. dollar.

The minor crash occurred 18 hours after the 7 major industrial countries issued a G-7 statement reaffirming their determination to strengthen policy coordination.

This showed the markets are still vulnerable to the "fundamentals" of the global economy and the fundamentals are not very sound.

It highlighted the fact that, as long as the U.S. trade deficit remains large, the markets will be in a jittering state. And without a substantial reduction of the U.S. budget deficit, the U.S. domestic demand will remain strong and trade performance will not improve as fast as people have expected out of lower dollar.

During the spring meetings, it was agreed that the current trend—with growing U.S. exports and increasing imports by Japan, Western Europe and the newly industrialized economies—is in the right direction, and contributes to the stability of the world economic development.

But they also had reservations as to the pace of the development: whether a major disruption of the world economy would be avoided for the next few years.

In its economic outlook issued this week, the IMF predicted that the world economy will grow into next year without a recession, and faster growth in developing countries will offset a slight slowdown in the industrial countries.

However, some countries have noted that imbalances in the world remain significant. During the meetings, many people called for firm, closer policy coordination between major industrial countries in order to provide a stable environment for the world economy.

It must be noted that the G-7 did make strong showing in their statement that they are committed to the coordination. As further proof, they have also agreed to the proposal by U.S. Treasury Secretary James Baker on adding commodities index into the set of economic indicators used in policy coordination.

The IMF was entrusted to compile the commodities index and provide multilateral surveillance for the policy coordination of the major countries. An IMF official told XINHUA whether gold and petroleum prices will be included in the index may be determined before this fall.

The IMF has also made some progress in launching a new lending facility, which will enable member countries to get medium-term loans at easier terms.

It has been agreed that interest rate fluctuations may be included in the factors that may trigger "contingency" loans from the IMF to the member countries, but how "automatic" the loans can be available, or how less the conditions are, is still the question.

As to the proposals by some developing countries to include fluctuations of currency rates and growth rates into the contingency consideration, no effective support has emerged.

The World Bank, which was called to play a larger role in the international debt management, also reported some progress.

The bank's President Barber Conable said this morning the bank may cancel the commitment charges on its soft-loans to lessen the burden of low-income developing debtor countries and would like to ease the term for its variable interest loans to the middle-income developing countries.

He revealed the plan that the bank will be further involved in finding new debt conversion strategies, serving as "honest broker" between the creditors and debtors.

The World Bank has also launched a multilateral investment guarantee agency that will insure nonbusiness risk for investors willing to put money in developing countries.

In addition, the bank is nearing its goal in getting the needed support for increasing its capital base from the current 90 billion dollars to more than 170 billion dollars, which will enable the bank to hike its annual lendings to the Third World from the current 17 billion dollars to 20 billion dollars.

Mainly owing to U.S. opposition, the idea of setting up a debt conversion facility in the IMF, and that of providing global debt relief to the Third World debtors, are both killed at the meetings.

Although the developing countries again called for new allocation of special drawing rights (SDRs) in the IMF, which was supported by the European Community, creating new money in the IMF was postponed into the future because of U.S. rejection.

Nanjing Hosts International Plastics Symposium

*OW151840 Beijing XINHUA in English 1513 GMT
15 Apr 88*

[Text] Nanjing, April 15 (XINHUA)—This capital city of Jiangsu Province is hosting an international symposium on glass fiber reinforced plastic materials, April 15-20.

The symposium is being sponsored by the Chinese Silicate Society.

Attending are 240 experts from eleven countries, including Canada, Japan, the U.S., U.K., the Netherlands, the Soviet Union, India, Italy, New Zealand, Federal Germany and China.

They will review the latest development in basic theories, new technologies, production equipment, designing, test and quality control in producing such materials.

China began producing glass fibre reinforced plastic materials in 1958 and now has 1500 factories producing them.

United States & Canada

U.S. State Department Official Tours Tibet

*OW171128 Beijing XINHUA in English 1434 GMT
16 Apr 88*

[Text] Lhasa, April 16 (XINHUA)—Changes which have taken place in Lhasa, like the construction of the Grand Lhasa Hotel, are amazing, said Stapleton Roy, U.S. deputy assistant secretary of state, during a recent meeting with high-level Tibetan officials.

Roy said, there were no modern buildings like the Lhasa hotel when he first visited Lhasa, the capital of the Tibet Autonomous Region, in 1981.

Stapleton Roy arrived here on April 13 for a five-day friendly visit to Tibet.

On April 14 he met with departments concerned, discussing in detail various questions he was interested in, including religion, nationalities, tourism and culture.

When Roy asked about policies on religion in Tibet, an official in charge said, in recent years the state has allocated more than 34 million yuan to restore 997 monasteries and other public religious facilities which were damaged during the "Cultural Revolution" (1966-1976).

In response to another of Roy's questions on Tibet culture, Hu Jinan, the region's cultural department's deputy director said, "Statements suggesting Tibetan culture has diminished are false."

According to Hu, Tibet now has 10 troupes which perform Tibetan opera, traditional Tibetan songs and dance, and modern drama, the region has set up several cultural organizations, and Tibet is now making preparations for a museum.

When asked about tourism in the region, Wang Shaochu, the regional tourism bureau head said, more foreign tourists have been coming to Tibet in recent years, and last year alone the region hosted 40,000 tourists from abroad, or 40 times the figure of 1980.

The region now has nine travel agencies, 16 hotels, 15 guest houses and some 170 buses for tourists, Wang added.

Roy suggested U.S. senators and members of the house of representatives visit Tibet so as to get firsthand information about Tibet.

America's Possible 'Decline' Discussed

*HK160325 Beijing RENMIN RIBAO in Chinese
13 Apr 88 p 7*

[Article by He Dalong (0149 1129 7127): "Is America in Decline?—An Extraordinary Debate"]

[Text] Professor Paul Kennedy, an American historian wrote a book, entitled "The Rise and Fall of the Great Powers: Economic Change and Military Conflict From 1500 to 2000." It has triggered off a debate on "whether America is in decline." Signs are many in showing the decline of the United States, and the American people are aware of the weakening of U.S. strength. Now the question is: Should the United States face the historical challenge squarely and adopt a new policy to meet the new situation, or should it adopt new conservatism to maintain its hegemony. [end editor's introduction]

A fierce debate is under way among the U.S. academic and political circles centering around the question: "Is America in decline?" This question has much to do with a series of most controversial issues, including U.S. trade and economic competitiveness as well as its overseas military commitments, in heated debates between the potential presidents of the two parties as well as the voters in the 1988 presidential election campaign.

What Has Triggered Off the Debate [subhead]

"The Decline and Fall of the Great Powers: Economic Change and Military Conflict From 1500 to 2000," a new book by Paul Kennedy, professor of history at Yale University, was published in the latter half of 1987. The author has made a comprehensive summing up of the decline and fall of the British, French, and Spanish empires as well as the changes in the world situation since 1943—the evolution from a pattern of U.S.-Soviet confrontation to a pentagonal coexistence consisting of the United States, the Soviet Union, West Europe, Japan, and China.

The book holds 677 pages between its covers, but the author's concepts can be summed up briefly as follows: Like all great powers in history, the United States has tremendous global military commitments. With the decline in U.S. economic strength, the erosion of America's power will be stepped up if it insists on maintaining its overseas military commitments. Professor Kennedy gave the warning cry that historical precedents are many regarding the fall of great powers due to imperial overstretch, and the United States should draw a lesson from them.

Analyzing from a macroscopic historical angle, Professor Kennedy has dug to the root of the decline of America, and pinpointed the heart of the matter. Besides, the strong impact of the New York Stock Market crash in October last year awakened more and more Americans to the fact that the U.S. economy has gone wrong, and U.S. economic strength has been eroding. The year 1988 happens to be the U.S. presidential election year. As usual, the potential presidents and voters are debating on a series of current political, economic, and social issues in the U.S. as well as its home and foreign policies. It is precisely in such a climate that Professor Kennedy's best-seller has triggered off an extraordinary heated debate.

The Focus of the Polemics [subhead]

The focus of the polemics is, of course, the astounding decline of U.S. economic strength. U.S. press circles have pointed out that the United States used to be the No 1 economic power when World War II ended; but now many signs have shown its decline: U.S. agriculture and manufacturing industry are withering; the United States is gradually losing its leading role in some hi-tech fields including computers, robotics, and space; its per capita GNP is lower than that of Japan; it has become the largest debtor country in the world; its position as the world's largest export country has been replaced by the FRG; New York has lost its status as the world's banking center; foreign investors are buying a far greater volume of U.S. securities than their American counterparts; the drastic drop of the dollar exchange rates. While America is in decline, the economic strength of other nations in the world, especially Japan has grown mightier. A U.S. newspaper said that a "European Age" would emerge

with the unification of the market of 12 EC nations in 1992. Another paper predicted that the 21st Century would be "the Pacific Century."

How To Cope With the Situation [subhead]

How is the United States to cope with a situation characterized by continuous erosion of its economic strength? The U.S. Administration and public, as well as various circles, have held different views. As opinions vary, no unanimous conclusion can be reached. The focus of the polemics is: Should the United States face the historical challenge squarely and adopt a new policy to meet the new situation, or should it resort to new conservatism to maintain its hegemony?

Economically, one view believes that the decline in U.S. economy is the result of the "unfair trade" of other nations; therefore, it is all for adopting trade protectionism. Some people in the U.S. Congress have strongly upheld vengeance for those nations that have voluminous favorable balance in trade with the United States. An opposing view believes that the United States should blame itself for its huge trade deficits, and focus its attention on how to improve its own competitiveness.

In regarding the political aspect and U.S. "military commitments," the disputes center around whether the United States should adopt new isolationism and retreat within "American walls," or continue to maintain its "commitments" to its Western allies. Some people believe that it is unnecessary for the United States to undertake so many "commitments," and it must press those countries involved to increase their military expenditures by a wide margin, and to commit themselves with greater obligations. Others uphold the view that the United States must adhere to its commitments to its Western allies. Prior to the NATO summit in February this year, President Reagan explicitly expressed that the United States was to retain its army stationed in Europe, and to continue to keep its nuclear umbrella updated. Still others believe that it is advantageous for U.S. European allies to share its military commitments, but demanding Japan to increase its military expenditures "will awaken the devil, Japanese militarism."

No matter who will take office in the White House, either the Democrats or the Republicans, they will have to present their policy aiming to deal with the erosion of the U.S. economy. The effects of the new policy will, beyond doubt rouse people's great attention.

'Round-Up' on U.S. Debate on Trade Bill
*OW172114 Beijing XINHUA in English 0828 GMT
13 Apr 88*

[“Roundup: White House, Congress Wrangle Over Trade Bill (by Liu Zhiguang)”—XINHUA headline]

[Text] Washington, April 12 (XINHUA)—Top U.S. Government officials are negotiating items that could be dropped by Congress from a sweeping trade bill to avert a presidential veto. At the same time, Democratic presidential contenders are urging Congress to retain the controversial provisions.

According to press reports, Treasury Secretary James Baker, White House Chief of Staff Howard Baker and Trade Representative Clayton Yeutter held a strategy meeting on the legislation Monday. They are expected to submit the list of possible changes to President Ronald Reagan before taking it up later this week with Senate leaders.

Reagan promised Saturday in his weekly radio address to the nation that he would veto the legislation "before I let a bad trade bill veto our economic expansion." Among the provisions strongly opposed by the administration, for example, is one requiring employers to notify workers of planned plant closings.

The leader of the congressional forces negotiating on the omnibus trade bill is Senate Finance Committee Chairman Lloyd Bentsen, a Democrat, who recently received separate letters from presidential contenders Jesse Jackson and Senator Albert Gore urging the retention of the plant-closing notification provision. Their letters followed a similar appeal from Massachusetts Governor Michael Dukakis, the current front-runner for the Democratic presidential nomination.

Although it is not now part of the bill before Congress, a proposed amendment that would require registration of a corporation's foreign investors is also expected to draw a presidential veto if it is enacted.

For their part, congressional negotiators are seeking a White House commitment that Reagan will sign the 1,000-page trade bill if [it] is voted out next week without either the plant-closing notification or the foreign investment disclosure provisions.

White House aides are hanging tough, however, hoping to bargain for the elimination of other parts of the bill that the administration does not like.

The administration is also trying to soften proposed sanctions against Japan's Toshiba Corporation, reduce proposed assistance for workers who lose jobs to imports, and eliminate the delegation of decision-making authority from the President to the U.S. trade representative.

Also on the White House list for proposed modification are provisions that would raise agriculture subsidies, mandate presidential retaliation in some trade disputes, and establish a "competitiveness council."

Sino-U.S. Venture Does Well in Tianjin

OW180603 Beijing XINHUA in English 0422 GMT
15 Apr 88

[Text] Tianjin, April 15 (XINHUA)—The Tianjin Otis Elevator Co., Ltd. a Sino-American joint venture, has made good profits and its partners have drawn extra dividends ahead of schedule.

In an interview with XINHUA, Wang Yunqi, deputy general manager of the corporation, said that since its founding the corporation has made double its investment in profits.

The corporation was started in December 1984, with investments from the Otis Elevator Corporation in the United States, the Tianjin Elevator Corporation, and the China International Trust and Investment Corporation.

Instead of reinvesting the first 3 years' profits, as originally agreed by the American and Chinese sides, dividends were drawn in 1986 and 1987; the American side got 1.4 million yuan in dividends and remitted it home

The 2 dividends are symbolic, since they make up only 6 and 10 percent, respectively, of previous years' total profits. This year, 15 percent of last year's profit will be distributed between the partners, Wang said.

Integrating scientific research, production, sales, installation, and maintenance, the corporation is the biggest joint venture in Tianjin, with 2,000 employees and registered capital of 5 million U.S. dollars.

Over the past 3 years, it has made a total profit of 93 million yuan, 2 times the initial investment, and spent 15 million yuan in expanding production.

Its yearly output has increased from 600 units to 1,200 units, and technology introduced from the Otis Elevator Corporation in the U.S. has promoted its products into the top ranks of world elevators, said Wang.

Now, the corporation exports elevator parts, such as motors and fire-proof doors, to the United States and Southeast Asia.

By inviting foreign management experts, the enterprise has boosted its working efficiency. Superfluous layers of administration have been cut away and special committees concentrating on technological, quality, and production management have been set up, he explained.

Its success lies in the fact that all its partners believe in long-term cooperation and avoid the pursuit of quick success and instant benefit, said William Mallett, general manager of the joint venture.

This year, the enterprise plans to turn out 1,400 elevators and begin production of a new-type elevator of its own design with 80 percent of the parts made in China. An overall renovation involving an investment of 51 million yuan will be started with the aim of promoting the annual output to 2,000 units by the year 1990, Wang disclosed.

McDonnell-Douglas To Use Shanghai-Made Parts
OW172040 Beijing XINHUA in English 1307 GMT
13 Apr 88

[Text] Shanghai, April 13 (XINHUA)—McDonnell-Douglas will allow use of Shanghai-made horizontal empennages and hold doors on some of the MD-82 planes built in the city, XINHUA learned today.

Under a 16 million U.S. dollar-compensation trade contract signed recently, such hold doors will be used beginning as of the 7th plane, and horizontal empennages, as of the 21st plane.

A total of 25 MD-82 planes will have been built in Shanghai by 1991 in a joint project of the MD and Shanghai aviation industrial corporations.

The Chinese and American sides also signed a letter of intent on the purchase of Shanghai-made horizontal empennages and hold doors, according to officials here today.

Li Peng Greets Shanghai Sino-U.S. Joint Venture
OW180119 Beijing XINHUA in English 1535 GMT
13 Apr 88

[Text] Shanghai, April 13 (XINHUA)—Chinese Premier Li Peng and U.S. Secretary of State George Shultz are among the well-wishers on the fifth birth anniversary today of the Shanghai-Foxboro Co., the first Sino-American high-tech joint venture.

In a message of greetings, Li Peng praised the company for what it has done to promote the friendship and cooperation between the Chinese and American peoples.

Shultz visited Shanghai-Foxboro in April 1984 in the company of President Reagan. He said in his message of greetings that companies like this show how close cooperation and joint development can bring benefits to the human race.

Over the past 5 years, Shanghai-Foxboro has provided 200 sets of control systems to China's power, petroleum, chemical, and other industries which otherwise would have had to be imported.

These include a simulation control system for the Qinshan Nuclear Power Station now under construction, XINHUA learned today.

Last year, the company yielded 14 times as much profits as in 1983, the first year of its operation, and it was named "Advanced Enterprise" by the Ministry of Foreign Economic Relations and Trade in January this year.

Chinese and American managers share the view that the key to the success of the company lies in the principle of equality, mutual benefit, trust, and cooperation.

Premier Li Peng Meets Billy Graham
OW162225 Beijing XINHUA in English 1458 GMT
16 Apr 88

[Text] Beijing, April 16 (XINHUA)—Chinese Premier Li Peng met here today leading U.S. evangelist the Rev. Billy Graham and his wife.

Discussing culture and education with the visitors, Li said: "China can never be prosperous and strong only with material development, it also needs spiritual forces."

The visitors are here as guests of the Chinese People's Association for Friendship With Foreign Countries and the China Christian Council.

Supreme Court Chief Meets American Guests
OW160037 Beijing XINHUA in English 1614 GMT
14 Apr 88

[Text] Beijing, April 14 (XINHUA)—Ren Jianxin, new president of China's Supreme People's Court, met here this evening a 23-member delegation from the society of Maritime Arbitrators, New York, led by its President Alexis Nichols.

Later, Ren hosted a dinner for the visitors in the capacity of chairman of the Maritime Arbitration Commission of the China Council for the Promotion of International Trade.

U.S. Surgeon General Discusses China Visit
OW172332 Beijing XINHUA in English 1532 GMT
16 Apr 88

[Text] Hong Kong, April 16 (XINHUA)—Medical cooperation between the United States and China benefits both sides and will continue in more areas, Dr. C. Everett Koop, surgeon general of the US Public Health Service, told a press conference here today.

Dr. Koop has just ended his visit to the Chinese mainland, during which he and Chinese medical authorities extended the agreement on medical cooperation between the two countries for an additional five years.

He said he had also exchanged views with Chinese medical officials on the latest development in disease controls in China, including the control of hepatitis. And they touched upon the AIDS issue, which is not yet serious in Southeast Asian countries.

During his China tour, he said, he was especially encouraged by the anti-smoking campaign he saw in major Chinese cities such as Beijing and Guangzhou, which was targeted to young people in particular.

Chinese and American doctors have kept on exchanging information and medical researches in the combat against various diseases in recent years. American doctors found that heart diseases and stroke in China are different in many aspects from those in the United States, and stroke mortality tended to be higher in China than in the U.S., he said.

PRC Official Speaks at World Bank Meeting
*OW190031 Beijing XINHUA in English 1913 GMT
15 Apr 88*

[Text] Washington, April 15 (XINHUA)—A Chinese official attending the World Bank-IMF spring meetings called on industrial countries to help the Third World eradicate poverty, which he said was "the ultimate protection of environment and improvement of resource management."

Mr. Tian Yinong, vice Chinese finance minister, said at today's Joint Development Committee meeting of the World Bank and the International Monetary Fund (IMF) that poverty constitutes one of the main causes for the existing environmental problems in developing countries, and the economic policies and actions carried out by developed countries "have a bearing on the environmental degradation and resource depletion in developing countries."

He said industrial countries, therefore, should provide technical and financial assistance to developing countries in this respect.

Commenting on the World Bank's drive to promote environmental protection in the last 2 years while assisting socio-economic development in the Third World countries, Tian said the bank should help mobilize additional funds for environmental and resource management projects in the developing countries, at the same time, not use environmental protection as additional conditionality for loans to the Third World.

NPC Official Meets Canadian University Officials
*OW151231 Beijing XINHUA in English 0706 GMT
10 Apr 88*

[Text] Beijing, April 10 (XINHUA)—Zhou Gucheng, vice-chairman of the National People's Congress Standing Committee, met Canadian and Chinese delegates to the first session of the Chinese and Canadian university presidents seminar here today.

The Canadian delegation is led by David L. Johnston, president of McGill University; and the Chinese delegation is headed by Mu Guoguang, president of Nankai University.

The seminar was held from April 5 to 8 in Tianjin, giving spotlight on the discussion on strengthening high-level cooperation between Chinese and Canadian universities and on joint training of doctorate students.

A summary of minutes of the seminar was signed between the two sides Saturday.

Communications Joint Venture Planned With Canada
*HK160650 Beijing CHINA DAILY in English
16 Apr 88 p 2*

[By staff reporter]

[Text] China's telecommunicationis and information industry will be greatly enhanced with the agreement to set up a new joint venture with Canada.

The pact was signed in Beijing on Tuesday between the China Tongguang Electronics Corporation and Northern Telecom Ltd of Canada.

The new venture, the Shenzhen-based Tongguang Northern Telecom Company, will produce the Meridian SL-1 integrated services network and digital telephone sets. These are accepted worldwide and are in operation in more than 60 countries.

With a total investment of \$13 million, the new company is scheduled to go into production in the last quarter of this year, said Sun Feng, president of Tongguang Corporation.

The company's annual production capacity is expected to be 100,000 lines. To achieve balance in foreign exchange, more than 23 percent of the output will be exported in five years, Sun said.

The technology transfer and supply contracts signed along with the joint venture agreement call for the local manufacture of the SL-1 integrated services network.

The signing of these agreements is concrete evidence of Northern Telecom's long-term commitment to invest in China's economic development, said David Vice, president of Northern Telecom.

Agreement Signed
*OW180440 Beijing XINHUA in English 1720 GMT
14 Apr 88*

[Text] Beijing, April 14 (XINHUA)—China and Canada signed an agreement here today to set up a joint-venture for manufacturing Meridian SL-1 Integrated Services Networks and digital telephone sets.

Sun Feng, president of the China Tong Guang Electronics Corporation, and David G. Vice, president of Northern Telecom Ltd of Canada, signed the agreement.

The joint-venture will involve a total investment of more than 13 million U.S. dollars, with a registered capital of 5.6 million U.S. dollars. The firm will be located in Shenzhen, Guangdong Province. The first products are expected to be turned out within this year, according to an official concerned.

Also signed was an associated technology transfer and supply agreement.

Soviet Union

Search for Wider U.S.-Soviet Trade Analyzed OW182325 Beijing XINHUA in English 0230 GMT 15 Apr 88

[“News analysis: Broader U.S.-Soviet Trade Ties Sought (by Wang Xianju”—XINHUA headline]

[Text] Moscow, April 15 (XINHUA)—The annual session of the U.S.-Soviet Trade and Economic Council ended here Thursday with some progress in furthering the two countries' trade and economic relations, but the main obstacles to major development remain.

The 3-day session resulted in an accord to extend their long-term agreement on economic, industrial, and technological cooperation to include new forms of economic relations, such as joint ventures.

The session decided to set up working groups on cooperation in oil and gas equipment, light and some other industries.

The council adopted a resolution urging the Soviet and U.S. Governments to provide every opportunity to organize mutually acceptable and advantageous joint projects.

The Soviet Ministry for the Production of Mineral Fertilizers and the U.S. “Honeywell” Company on Thursday agreed to set up a joint venture, the third of its kind between the two countries.

The U.S. delegation, led by U.S. Commerce Secretary William Verity along with more than 500 representatives of the U.S. business community, discussed about 50 more joint venture projects with their Soviet counterparts.

Trade between the Soviet Union and the United States dropped from 5 billion U.S. dollars in 1984 to about 2 billion dollars in 1987. Most of the trade has consisted of grain sales to the Soviet Union, which amounted to nearly 12 million tons in the past year, according to the U.S. Agriculture Department.

Verity told a press conference here Thursday afternoon that he hopes to see U.S.-Soviet trade reach 5-10 billion dollars per year.

He said the Soviet Union's on-going economic reforms have “sparked an outburst of interest among American firms in trade with the USSR.”

Meeting with Verity and U.S. businessmen in the Kremlin, Mikhail Gorbachev, Nikolay Ryzhkov and other Soviet leaders also voiced desire for broader Soviet-U.S. trade and economic ties.

Referring to U.S. trade restrictions, Gorbachev called upon Washington to stop what he termed “cold war” bans on exports to the Soviet Union. Ryzhkov promised that his country would maintain a stable course of developing mutually beneficial ties with the United States.

However, both the Soviet leaders and the U.S. side admitted that many difficulties still exist in the development of trade.

The Soviet side demanded that the United States remove restrictions and obstacles to exports and imports, especially to sales of advanced technologies. The Soviet Union also expressed concern about the imbalance of bilateral trade.

Verity reaffirmed, however, that the United States would not grant the Soviet Union most-favored-nation status because of a lack of improvement in the Soviet human rights record. Without most favored nation status, Soviet sales to the United States are subject to higher tariffs.

Washington also opposes the Soviet effort to take part in the General Agreement on Tariffs and Trade (GATT).

The United States has banned sales to the Soviet Union of advanced equipment and machinery, arguing that the goods would help increase Soviet military capacity, since some of the technology could be used for military purposes.

Regarding the trade imbalance that favors the U.S., the United States has complained that the Soviets cannot offer many quality goods to the United States.

Despite trade grievances, more Soviet-U.S. joint ventures are expected to be launched in the near future to satisfy both sides' needs. The Soviet Union wants to attract badly-needed foreign funds and technology, while U.S. businessmen are reluctant to lose the Soviet market to other Western trading partners.

Some Soviet trade analysts hold that the prospects of Soviet-U.S. trade and economic relations will depend largely on the Soviet Union's economic reform process and on the country's own efforts to enhance the competitiveness of Soviet goods.

Soviet Ambassador on Afghan, Cambodian Issues
HK190250 Hong Kong WEN WEI PO in Chinese
19 Apr 88 p 2

[“Dispatch” by staff reporter Juan Chi-hung (7086 4764 1347): “Soviet Ambassador to China Says Troop Withdrawal From Afghanistan Will Set an Example for Solving the Cambodian Issue”]

[Text] Beijing, 18 Apr—Troyanovskiy, Soviet Ambassador to China, said during an interview with this reporter today that the settlement of the Afghan issue will set an excellent example for the solution of the Cambodian question. The Soviet Union is concerned about and hopes for the peaceful settlement of this regional conflict on the basis of national conciliation. Troyanovskiy pointed out at today's press conference that he agreed with the appraisal made by the Chinese Ministry of Foreign Affairs in answer to a question by a group of reporters several days ago, that the implementation of the Pakistan-Afghanistan agreement and a Soviet troop withdrawal would be beneficial to the improvement of Sino-Soviet relations.

As the ambassador pointed out, the settlement of the Afghan issue will set an excellent example for the solution of other regional problems, and the Soviet Union is concerned about and hopes for the peaceful settlement of the regional conflict in Cambodia and other regional problems on the basis of national conciliation. We welcome the Vietnamese Government's statement on withdrawing its troops from Cambodia, he added. He disclosed that previous Sino-Soviet vice foreign ministerial talks also discussed the Cambodian issue. The next round of talks will possibly be held in June, but this has not been formally finalized. This round of talks will also involve the Cambodian issue. When discussing this problem at the talks, both sides will air their views and seek common ground, he added.

‘Round-Up’ Discusses ‘Arafat’s Visit to Moscow
OW161317 Beijing XINHUA in English 1901 GMT
10 Apr 88

[“Roundup: ‘Arafat’s Moscow Visit Successful (by Wang Xianju)” — XINHUA headline]

[Text] Moscow, April 10 (XINHUA)— The Palestine Liberation Organization (PLO) leader Yasir ‘Arafat’s three-day visit to Moscow, which ended this afternoon, has enhanced Palestinian-Soviet relations.

Speaking at a press conference here Saturday PLO Chairman ‘Arafat said it was “one of the most fruitful visits I have ever paid to Moscow.”

Faruq Qaddumi, head of the PLO Executive Committee’s Political Department, also described the visit as “historic.”

‘Arafat, who came here Thursday for a “working visit” at the invitation of the Soviet government, held talks respectively with Soviet leader Mikhail Gorbachev, Foreign Minister Eduard Shevardnadze and secretary of the Soviet Communist Party Central Committee Anatoliy Dobrynin, who has been seen as a top advisor of Gorbachev in international affairs.

Their talks focused on the situation in the Middle East and on ways for a settlement of the Arab-Israeli conflict. According to the Soviet press and Arab sources here, Soviet leaders and ‘Arafat had similar views on the issues discussed.

During the visit, ‘Arafat has enlisted Moscow’s support for the Palestinian uprising in the occupied lands which has entered the 4th month at present. Both sides believe that the Palestinian uprising has created a “qualitatively new situation” in terms of achieving a settlement of the Arab-Israeli conflict. The Soviet Union praised the Palestinians’ courage to achieve their national liberation.

Both the Soviet Union and the PLO oppose the so-called U.S. new Middle East peace plan put forward by U.S. Secretary of State George Shultz in his recent Middle East shuttle visit. The “Shultz plan” refuses the self-determination of more than five million Palestinians and their rights to establish an independent state.

The Soviet Union agreed with the PLO that the Palestinian problem, the core issue of the Middle East settlement, must be solved without delay.

Moscow has been for an international conference attended by the five permanent members of the U.N. Security Council and representatives of all sides concerned, including the PLO. But this time, Gorbachev made clear to ‘Arafat that his country would take “an understanding attitude to the idea of a single Arab delegation at the international conference.”

This support is valuable since ‘Arafat is unwilling to form a PLO-Jordanian delegation at the Mideast peace conference.

The Soviet side and the PLO laid emphasis on the importance of the Arab unity in the struggle for the Middle East settlement.

It was noticeable that in its just-concluded Moscow visit, ‘Arafat’s delegation included representatives of different groups of the Palestinian resistance movement.

Gorbachev and ‘Arafat also stressed the need to develop Syrian-Palestinian relations. Arafat told reporters Saturday that “I am grateful also to my Soviet friends for their efforts in order to improve relations between the PLO and Syria.”

According to Arab sources here, Moscow has promised to pay greater attention to the Middle East after it resolves the problem of the Soviet troops withdrawal from Afghanistan. They noted that if the Soviet Union wants to play a greater role in the Middle East settlement, its good relations with the PLO are indispensable.

Soviet Paper Admits Anti-Reform Letter Mistake
OW181020 Beijing XINHUA in English 0632 GMT
18 Apr 88

[Text] Moscow, April 15 (XINHUA)—The newspaper SOVIETSKAYA ROSSIYA today published an editorial admitting it lacked responsibility and a "balanced attitude" in publishing last month a lengthy letter against the country's reform campaign.

On March 13 the newspaper published the letter by a college teacher questioning basic aspects of Soviet leader Mikhail Gorbachev's reform program.

In the signed letter, entitled "I cannot renounce principles," she said that the Soviet Union was currently deviating from the course of socialism and that the criticism of Joseph Stalin had been a distortion and one-sided.

In its editorial, the paper said that in preparing the letter for publication, the editorial board lacked responsibility and a balanced attitude and did not realize the publication could lead people to deviating from "the revolutionary renovation of the society on the basis of democracy and openness (glasnost)."

On April 5, the Soviet Communist Party daily PRAVDA issued a full-page editorial criticizing the writer and saying that the letter was intended to "change policies of the Soviet Communist Party." The PRAVDA editorial called the letter "an ideological program and manifesto against reform."

Northeast Asia

Japanese Special Envoy Conducts Official Visit

Meets With Wan Li
OW181615 Beijing XINHUA in English 1514 GMT
18 Apr 88

[Text] Beijing, April 18 (XINHUA) — Wan Li, chairman of the National People's Congress Standing Committee, reaffirmed China's hopes for the continued development of friendly relations with Japan.

Wan made these remarks at today's meeting with Masayoshi Ito, special envoy of Japan's Prime Minister Noboru Takeshita, and his party.

On behalf of the Japanese Government and Prime Minister Noboru Takeshita, Ito extended congratulations to Wan Li who was just elected chairman of the NPC Standing Committee.

Wan described Ito as an old friend of the Chinese people and welcomed him to China.

Ito said Japan's Prime Minister Noboru Takeshita regards the long-term development of Japan-China friendship an important pillar of Japanese diplomacy.

Last year the Japanese House of Councillors and House of Representatives decided to maintain and develop Japan-China friendly relations, Ito said.

Ito also said he will actively contribute to this cause as chairman of the Japanese Dietmen's League for Japan-China Friendship, the Japanese Diet's largest league organization.

Wan Li praised Ito for his contributions so far to friendship and cooperation between China and Japan, adding he hopes Ito's new efforts will also serve this end.

Wan mentioned this year is the 10th anniversary of the signing of the China-Japan peace and friendship treaty.

"It is our hope Sino-Japanese friendship and cooperation will continue to grow," Wan said, "and this bilateral friendship and cooperation is important to safeguarding peace in the Asia and Pacific region."

Ito said he fully agrees with Wan, adding the two sides will make common efforts to achieve this end.

The meeting was followed by a banquet hosted by Chinese Foreign Minister Qian Qichen.

Talks With Deng Xiaoping
OW190531 Tokyo KYODO in English 0517 GMT
19 Apr 88

[Text] Beijing, April 19 KYODO—China's supreme leader Deng Xiaoping said Tuesday he hopes the new generation of leaders in China and Japan will build a new relationship of trust between the two countries.

Deng made the remarks in an hour-long meeting with Masayoshi Ito, a personal emissary from Japan's Prime Minister Noboru Takeshita, Japanese officials said.

They said Deng made no specific reference to any of the outstanding issues between the two countries.

Deng described the present relationship between Japan and China as "normal in general," the Japanese officials said.

Ito, chairman of the ruling Liberal Democratic Party's Executive Council, is currently on a 4-day visit as a personal envoy from Takeshita.

Referring to the confirmation of Li Peng as China's new premier by the National People's Congress last week, Deng said he hopes that the new leadership in China can develop personal ties with the Takeshita government.

A relationship in which the leaders of the two countries "can open up their hearts and talk about anything" to each other is essential to avoid ties from falling into "mistake," Deng was quoted as telling Ito.

Ito told Deng it is Takeshita's policy to continue developing Sino-Japanese relations, and this is "an unshakable principle" for the Japanese Government.

Deng also Tuesday hailed Takeshita's visit to China this summer, that he believes Takeshita will become a friend to whom the Chinese "can open their heart."

Deng made the welcoming remarks before the two started their talks at the Great Hall of the People.

Takeshita is planning to pay an official visit to Beijing in August, his first since becoming prime minister last November.

Ito was also expected to hold talks tuesday with Premier Li Peng.

Deng on Relations

HK190956 Beijing ZHONGGUO XINWEN SHE
in Chinese 0739 GMT 19 Apr 88

[Report: "Deng Xiaoping Says that Attention Should Be Paid to the Activities of a Handful of Japanese People Who Try to Undermine Sino-Japanese Friendship"]

[Text] Beijing, 19 Apr (ZHONGGUO XINWEN SHE)—Deng Xiaoping, known as "China's No 1 figure" to the outside world, today warned Japan to pay attention to the activities of a small handful of people who try to undermine Sino-Japanese friendship. He said: A very small number of people, being called ultra-rightists in Japan, try to undermine Sino-Japanese friendship, and their activities should be noticed. If severe enough measures are not taken against them, they may become even more arrogant.

He added that each of the events was not too serious if they were treated separately, but when such events are linked to each other, they show a tendency, or a force, a destructive force that undermines Sino-Japanese friendship. The activities of this force will certainly evoke certain reactions among the Chinese people.

Deng Xiaoping said this when meeting with Masayoshi Ito, the special envoy of Japanese Prime Minister Noboru Takeshita.

Deng Xiaoping also said: Sino-Japanese relations in general are normal, but beginning from the textbook incident, some troubles have occurred one after another. I know that most Japanese friends do not agree with such things, and have taken some measures to solve the problems. We are grateful to them for their efforts.

Deng Xiaoping said: In the future, some troublesome things may still occur between the two countries. So it is hoped that they will be properly handled without delay in light of the Sino-Japanese Joint Statement and the Sino-Japanese Peace and Friendship Treaty and in light of the two countries' experience in developing their friendly relations in the past more than 10 years.

Deng Xiaoping asked Masayoshi Ito to tell Prime Minister Takeshita that the older generation of Chinese leaders such as Chairman Mao Zedong and Premier Zhou Enlai, as well as himself, all attached great importance to long-lasting Sino-Japanese friendship, and the current generation of Chinese leaders are also enthusiastic for Sino-Japanese friendship.

Ito told Deng Xiaoping that he also felt regret about the behavior of a very small number of Japanese people. Most citizens of Japan attach great importance to Japanese-Chinese friendship and will now allow Japan to become an extreme nationalist country as it was before.

He said: I understand China's unhappy feelings about the activities of the rightists that undermined Japanese-Chinese friendship. Japan will make efforts to prevent the reoccurrence of such events.

During the 70-minute talks, Deng Xiaoping briefed Ito on the 13th CPC National Congress and the recent First Session of the Seventh NPC.

He said: Between the 13th party congress to the Seventh NPC session, China did two important things. First, the two meetings affirmed that China must further open herself to the outside world and must deepen the reforms, and affirmed that this policy will remain unchanged for a number of decades. The two meetings both adhered to this position. "That is to say, the whole party and the whole nation regard this as a greatly important matter." Second, the older generation of leaders have gradually retired and more younger people have been promoted to the leading position."

Today, Deng Xiaoping met Ito for the sixth time, so he called Ito an "old friend" at the beginning of the meeting.

Deng Xiaoping said: Among other Japanese statesmen, you are the one who I met most frequently, and our opinions in a wide scope are identical. So we are friends who can have a heart-to-heart talk.

Masayoshi Ito conveyed Prime Minister Takeshita's regards to Deng, and Deng also inquired about the prime minister's health. Ito said that Prime Minister Takeshita will visit China in late August.

Deng Xiaoping said: We are looking forward to his visit, and I believe that he will also become a friend of the Chinese people with whom we can talk heart to heart.

Masayoshi Ito said: This will be his first visit to your country as Japanese prime minister, and we sincerely hope that his visit will give an impetus to the development of Japanese-Chinese relations.

Rightists Stage Protest at Consulate in Japan
*OW181637 Beijing XINHUA in English 1535 GMT
18 Apr 88*

[By Zhu Ronggen and Tan Jianrong]

[Text] Tokyo, April 18 (XINHUA)—Rightist groups have repeatedly made disturbances in front of the Chinese consulate general in Osaka, west Japan, by shouting anti-Chinese slogans through tweeters almost every day since April 5, Chinese consulat officials told XINHUA today.

But police have not stopped them from hindering work of the Chinese officials at the building, they said.

The rightists have driven propaganda cars around the consulate and shouted, "Get away with the Chinese! Get out of Japan!"

It was the first time that Japanese rightists have repeatedly harassed a Chinese diplomatic office for so long a period, the officials said.

On April 5, a group calling itself "Nippon Kokuyukai" sent to the consulate a "letter of warning," in which it threatened to stage a large-scale protest rally if China did not "seriously deal with" the March 24 railway accident which killed 27 Japanese and injured many others.

China has already stated that the Japanese victims will be compensated through consultations by competent departments of both China and Japan. The Chinese Foreign Ministry has said it will cooperate with the Japanese Foreign Ministry in handling the matter.

"The rightists' letter was totally in defiance of the fact," a consulate official, who asked not to be named, told XINHUA.

The rightists have exacerbated their harassments since April 8, the consulate officials said, adding that by early today, a total of six rightist groups had driven propaganda cars and made disturbances in front of the consulate on 12 occasions, shouting abuse at China.

The rightists charged China with "interfering in Japan's internal affairs" by urging it to diplomatically solve the Kokaryo dormitory case, a pending issue hindering the development of bilateral relations.

The Chinese government has called on the Japanese government to clarify its stand over the ownership of the five-storey Chinese building located in Kyoto. In February 1987, the Osaka higher court ruled that the dormitory belongs to Taiwan after accepting a lawsuit filed in the name of "the Republic of China," which the Japanese Government does not recognize.

The rightists also charged two small Japanese trading houses with selling security-sensitive electronics equipment to China in violation of the Coordinating Committee for Export Control, the Paris-based watchdog that bans exports of high tech from capitalist nations to socialist countries.

The consulate urged Japanese police on April 8 to stop the rightists from disturbing its daily work by shouting usually for 40 minutes, but police failed to take adequate measures, the officials said.

On April 12, the consulate urged the Osaka office of the Japanese Foreign Ministry to try to prevent reoccurrence of such harassment.

NPC Official Meets Japanese Assembly Visitors
*OW180120 Beijing XINHUA in English 0538 GMT
17 Apr 88*

[Text] Beijing, April 17 (XINHUA)—Peng Chong, vice-chairman of the Chinese National People's Congress Standing Committee, met a delegation of the Tokyo Prefectural Assembly led by its President Nobuyoshi Kondo here today.

The Japanese visitors are here as guests of the Standing Committee of the Beijing Municipal People's Congress.

Japanese Prefectural Delegation in Zhejiang
*OW180748 Hangzhou ZHEJIANG RIBAO in Chinese
9 Apr 88 p 3*

[Text] Xue Ju, secretary of the provincial party committee and former governor, cordially received the delegation of the Shizuoka Prefecture Assemblymen's League for Japan China Friendship, led by Speaker Takeshi Kawai, in the auditorium of the Hangzhou Hotel yesterday morning. Xue Ju expressed warm welcome to the visiting delegation. He said: The friendly relations established between Zhejiang Province and Shizuoka Prefecture is in its 6th year now, providing a solid groundwork for friendly cooperation between the province and the prefecture. He sincerely hoped that Zhejiang Province and Shizuoka Prefecture will achieve further progress in substantial economic, technological, and cultural

exchange and cooperation. Speaker Takeshi Kawai indicated that he will do his best during his tenure to promote concrete development of the friendly cooperative relations between Zhejiang and Shizuoka.

Also present at the meeting were Liu Xin, deputy secretary general of the provincial People's Congress, and Zhao Jiafu and Xu Deren, officials of departments concerned.

Hu Sheng Meets Japanese Industrial Delegation
*OW180943 Beijing XINHUA in English 1207 GMT
17 Apr 88*

[Text] Beijing, April 17 (XINHUA)—Hu Sheng, vice-chairman of the National Committee of the Chinese People's Political Consultative Conference and president of the Chinese Academy of Social Sciences, met here this evening an industrial delegation from Japan, led by Jiro Enjoji, advisor to the Japan-China Cultural Exchange Association.

Hu is also president of the Chinese Academy of Social Sciences.

Sino-Japanese Management Center Successful
*OW180023 Beijing XINHUA in English 1525 GMT
13 Apr 88*

[Text] Tianjin, April 13 (XINHUA)—For Chinese managers who want to learn modern enterprise management but cannot go abroad, they may go to the Tianjin Enterprises Management Training Center instead.

The center was set up by Chinese and Japanese Governments in March 1986. It has graduated 500 Chinese managers and is being attended by 300.

The Chinese side spent 10 million yuan building 3 classroom buildings of 12,000 sq m in floor space, and the Japanese side provided computers, videocorders, and other teaching facilities.

The 10-month session offers 5 courses including industrial production, marketing, and quality control. The teaching materials were jointly compiled by Chinese and Japanese experts.

Most trainees are enterprise managers or factory directors who have received higher education. They are expected to become a new generation of managerial personnel well versed in modern enterprise management, according to officials at the center.

Most graduates are working better than before, and one-fifth of them have got promotions, the officials said.

Yang Deyou, a graduate of the most recent session, was invited as general manager of Shenyang Foreign Trade Advertising Company. He was working as a clerk in the local railway administration before attending the training session.

Last year, trainees offered consultations to 28 Chinese enterprises to help improve their management and test their own ability.

Japan Discusses Sending Troops Overseas
*OW180918 Beijing in Japanese to Japan
0930 GMT 14 Apr 88*

[Commentary by unnamed XINHUA NEWS AGENCY correspondent: "Japan Molds Public Opinion for the Dispatch of Troops Overseas"]

[Text] The Japan Strategic Research Center recently published a report calling on Japan to dispatch minesweepers and escort vessels to the Persian Gulf. The report said that, in order to pave the way for Japan's troop dispatch overseas and the creation of a wartime system, Japan should make the solid establishment of a national security system the basis of a general overhaul of postwar politics; it should do so by making use of the opportunity provided by the Persian Gulf issue.

It should be noted that the so-called significance of dispatching troops overseas is being put to debate in Japan. The contents of the report were disclosed on 4 April by the organ of a Japanese opposition party. The Japan Strategic Research Center reportedly stressed that the Japanese government should regard the dispatch of minesweepers and escort vessels to the Persian Gulf as an exercise of the right of national self-defense and that it should exercise this right. It added that, if necessary, the Japanese Government should revise the Self-Defense Force [SDF] Law, which contradicts this, and make clear the criteria for the use of armed force.

The report further said that the solid establishment of a crisis management system would greatly contribute not only to the establishment of a wartime system but also to an advance toward prosperity while avoiding international isolation.

The molding of Japanese public opinion toward sending troops overseas has been escalating little by little. Former Prime Minister Nakasone once said that because of its peace constitution, Japan can cooperate in escorting ships in the Persian Gulf only in financial form. But, at its meeting on 27 August last year, the Japanese cabinet said that the dispatch of minesweepers and escort vessels by the Japanese SDF was legally permissible. And now the report of the Japan Strategic Research Center says that the dispatch of Japanese troops overseas is basically a matter of a general overhaul of Japan's postwar politics.

The rise of such Japanese public opinion has something to do with Japan's ceaseless overseas expansion, which is the strategic objective. Originally, Japan's SDF, which professed defense exclusively for self-defense, had mapped out a strategy for exterminating the enemy on the mainland. However, in 1985, or 3 years ago, the Japanese Government hammered out a plan for annihilating the enemy at sea, thus moving the location of a decisive battle to the sea. Two years later, or in 1987, the Japanese Defense Agency formally introduced a plan for air defense at sea.

The molding of Japanese public opinion for the dispatch of troops overseas is attracting public attention not only for historical reasons but also for the realistic reason that Japan has definite military and economic potential. Japan's military spending again topped 1 percent of the gross national product [GNP] this year, amounting to \$27 billion, thus repeating its performance last year. Thus, according to a computation formula used by the United States and NATO, Japan ranks third in the world in terms of military spending, next only to the United States and the Soviet Union. In view of the ratio of defense spending to the GNP, Japan has great potential for arms expansion.

This Japanese military trend is causing worry not only among Asian nations but American politicians of insight have become apprehensive as well. Former Secretary of State Kissinger said: There is a strong possibility of having a rearmed Japan by the end of this century. Japan will become a strong military power in Asia. Japan is now moving production facilities overseas and, because of this, Japan will need to create a defense system to defend these assets.

DPRK Embassy Shows Film on Kim Il-song Birthday
*SK180121 Pyongyang Domestic Service in Korean
1200 GMT 15 Apr 88*

[Text] On the occasion of the birthday of the great leader Comrade Kim Il-song, our country's embassy to China showed a film yesterday. Comrade Rui Xingwen, secretary of the CPC Central Committee Secretariat; Zhu Liang, head of the International Liaison Department of the party Central Committee, and Jiang Guanghua, its deputy head; (Zhang Yongji), adviser to the minister of foreign affairs; and other relevant functionaries were invited to the film show.

The participants saw our country's documentary film entitled "New Korea." This film show was followed by a small banquet.

Previously, on 13 April, a film show for diplomats from various foreign countries in Beijing was held.

DPRK Meeting Calls on South To Respond to Talks
*SK180411 Beijing International Service
in Korean 1/00 GMT 13 Apr 88*

[Text] According to a KCNA report, figures from the political, academic, and press circles of Korea held a meeting in Pyongyang on 11 April to discuss the issue of urging South Korea to respond to President Kim Il-song's proposal for holding a joint conference of political parties and public organizations of North and South Korea. The meeting was attended by Comrade Ho Chong-suk, secretary of the Worker's Party of Korea; responsible functionaries from the Committee for the Peaceful Reunification of the Fatherland and the Korean Social Democratic Party; and figures from the scientific, educational, and press circles.

At the meeting many figures noted that the proposal for holding a conference between North and South Korea that President Kim Il-song advanced in his New Year address this year takes into consideration the desire of the South Korean political parties, public organizations, and figures of all walks of life to directly participate in resolving the pending issues between the North and South that should be settled without fail, and the reunification question.

At the meeting they also recognized that holding a joint conference between political parties, public organizations, and figures of all walks of life of the North and South sides of Korea is a realistic and reasonable way for removing the danger of war and the political and military confrontation and for achieving national reconciliation and unity.

They stressed that the South Korean authorities should look straight at the trend of the times and immediately respond to the North side's proposal for holding a joint conference.

Sino-Mongolian Border Trade Talks End
*SK180541 Hohhot NEIMENGGU RIBAO in Chinese
30 March 88 p 1*

[Text] The 1988 Sino-Mongolian border trade talks ended in Hohhot on 25 March. During the trade talks, Liu Zuohui, vice chairman of the regional government, met with and feted the member of the border trade delegation from the Mongolian People's Republic.

During its stopover in our region, the border trade delegation from the Mongolian People's Republic, in the principle of equality and mutual benefits, exchanged views with us amid a sincere and friendly atmosphere on the mutual supply of commodities during border trade, on carrying out small-scale trade between cities and towns in China's Erenhot and Dzamyn Uud in Mongolia, and on other topics of economic and technological cooperation. After full consultation, both sides achieved

fairly satisfactory results. These talks helped to further intensify mutual understanding and trust and played a role in better promoting border trade between China and Mongolia.

During the meeting, the Mongolian border trade delegation also visited the Nei Monggol television plant, the electric cable plant, and the nationalities commercial center and toured Hohhot City.

Southeast Asia & Pacific

VNA Reports India Supports Vietnam on Spratlys *OW191000 Beijing XINHUA Domestic Service in Chinese 0830 GMT 19 Apr 88*

[Text] Beijing, 19 Apr (XINHUA)—Quoting a VNA report of 17 April, AFP says that Indian Prime Minister Rajiv Gandhi indicated in Ho Chi Minh City on 16 April that he "fully supports the efforts made by Vietnam to surmount...difficulties it has encountered in safeguarding its independence, sovereignty, and territorial integrity."

Gandhi made a short stopover in Ho Chi Minh City on his way home after visiting Japan. According to the VNA report, Gandhi made the above statement while meeting with CPV [Communist Party of Vietnam] General Secretary Nguyen Van Linh and Vietnamese Foreign Minister Nguyen Co Thach. According to AFP, the VNA report shows the Rajiv Gandhi supports Vietnam's expansion on China's Nansha [Spratly] Islands.

Indisputable historical facts prove that Nansha Islands have always been Chinese territory. Out of the ambition for territorial expansion, Vietnam has captured some atolls and reefs in the Nansha Islands and deliberately provoked an armed conflict not long ago. The so-called Nansha Islands issue is entirely concocted by Vietnam alone. The Chinese Government has time and again solemnly pointed out that Vietnam must withdraw from the occupied atolls and reefs in the Nansha Islands and stop all provocations.

Malaysian Minister Urges Trade with PRC *OW190559 Beijing XINHUA in English 1159 GMT 16 Apr 88*

[Text] Hong Kong, April 16 (XINHUA) — Malaysian Trade and Industry Minister Paduka Rafidah has urged the private sector of the business strata in her country to explore the Chinese market to promote economic contacts between the two countries, according to the Malaysian newspaper "THE NEW STRAITS TIMES".

The minister visited China early this month and concluded a trade agreement between China and Malaysia for direct trade between the two countries.

At a luncheon talk on "Malaysian Industry in Transition" in Kuala Lumpur, capital of Malaysia, on April 14, she said the Malaysian private sector should make efforts to increase direct contacts with new, unexplored markets such as in China which has decentralized business decision-making to various local authorities.

She said, "our businessmen should study the dynamics and reforms of such new markets and adopt different approaches to their investment and marketing strategies."

She noted that the Malaysian businessmen "should know exactly which doors are being opened which way so they can tap the full potential."

The Chinese local authorities were inviting investments in China, Paduka Rafidah said, noting that some of whom had the authority to decide on investments up to a considerable amount.

"With the proliferation of new businesses in China, the private sector should get the necessary information regarding business conditions there through their respective organizations," the Malaysian minister said.

Direct Shipping Link Set Up With New Zealand *OW172106 Beijing XINHUA in English 1126 GMT 13 Apr 88*

[Text] Wellington, April 13 (XINHUA)—New Zealand Overseas Trade and Marketing Minister Mike Moore announced today a new direct shipping link with China, which would help maintain China's status as one of New Zealand's main trading partners.

Under an agreement signed between the China Ocean Shipping Company and Pacific Maritime Ltd, four Chinese vessels will ply the waters between China and New Zealand, calling fortnightly at Auckland on the North Island and Lyttelton on the South Island from May.

For many years prior to 1985 New Zealand's trade with China had to be transshipped through other countries, Moore noted in a press statement.

He said New Zealand exports to China last year were valued at about 214.8 million U.S. dollars, while imports from China reached 69.8 million U.S. dollars.

China became New Zealand's fifth largest market in 1987 following the United States, Japan, Australia and Britain, compared with the eighth in 1986.

Vanuatu President Receives Vice Foreign Minister *OW181400 Beijing XINHUA in English 1029 GMT 18 Apr 88*

[Text] Beijing, April 18 (XINHUA)—Vanuatu's President Ati George Sokomanu has said his government is satisfied with the development of friendly relations and

cooperation between Vanuatu and China since the two countries established diplomatic ties in March 1982, according to a report reaching here from Suva, capital of Fiji.

The president stated this in Port-Vila today when meeting with Chinese Vice-Foreign Minister Zhu Qizhen, who arrived in Port-Vila on April 17 for an official visit. Zhu will leave for Papua New Guinea on April 20.

On the same day, Zhu also held talks with Acting Prime Minister and Foreign Minister Donald Kalpokas on bilateral relations and international issues including the regional situation.

During the talks, Kalpokas told the Chinese vice-minister that his country also bases its relations with other countries on the five principles of peaceful coexistence. He expressed his hope that Vanuatu and China would strengthen their cooperation and continue their efforts to promote peace and stability in the South Pacific and the world as a whole.

The Republic of Vanuatu comprises an irregular archipelago of about 80 islands in the southwest Pacific ocean, lying about 1,000 km west of Fiji and 400 km northeast of New Caledonia. The islands became independent on July 30, 1982.

Company Invests in Joint-Venture in Sri Lanka
HK180841 Beijing CHINA DAILY (BUSINESS WEEKLY SUPPLEMENT) in English 18 Apr 88 p 2

[“Special to BUSINESS WEEKLY”: “Sino-Foreign Plant Set Up in Sri Lanka”]

[Text] While many Chinese enterprises are becoming involved in joint ventures in China, the Beijing Guanghua Wood Processing Factory (BGWPF) is establishing one outside the country.

So far, China has more than 3,000 Sino-foreign joint ventures in operation within its borders, compared with about 200 foreign-Chinese ones established abroad.

BGWPF, one of China's biggest comprehensive wood processing factories, is now engaged in putting Beico-Link Carbon Private Ltd (BLCPL), a \$1.06 million Sri Lanka-Chinese joint venture, into operation. According to the contract signed in Colombo last August, BGWPF will supply the necessary equipment and technology to produce activated carbon from coconut shells.

Activated carbon, a porous, black and brittle substance which has a tremendous absorption power, is badly needed in many industries. Demand for it is soaring and the price is rising sharply.

After the joint venture goes into operation by the end of this year, 600 tons of activated carbon a year will be produced initially. The full capacity is set at 1,200 tons a year, which should earn the joint venture \$357,000.

“The scale is not large, but we're the first in China to export technology of this kind,” said Jin Fuzeng, a BGWPT engineer responsible for the joint venture's production and technology.

The other Chinese investors are the Beijing International Economic Co-operation Company and the Beijing Organic Chemical Factory. The investors on Sri Lankan side are Link Engineering Ltd, the National Development Bank of Sri Lanka, and the Development Finance Corporation of Ceylon.

The joint venture will be established in Giriulla, in the middle of the coconut triangle area of Sri Lanka, the fourth biggest coconut producer in the world with an annual yield of 2.5 billion coconuts.

At present, only a part of the shells are used to produce activated carbon. Some are burnt into charcoal and then exported to be further processed into activated carbon.

Activated carbon produced by the joint venture is expected to be sold on the international market. “But that depends on the efforts of all the investors,” Jin said.

“Besides the advantage of cheap and abundant coconut shells, our technique is better, for we process activated carbon nearly without fuel,” Jin said. “We utilize the activated gases produced in the processing furnace, and because of this we're confident of being competitive.”

The first equipment is to be shipped to Sri Lanka next month. “The second set will be sent if our business goes well and our product sells well on the international market,” Jin said.

“The joint venture is still a tentative step for us to expand our operations into the world arena,” said Zhao Fengqun, BGWPF director.

Zhao said as the State allows the foreign exchange earned by the joint venture to be used by the factory, the financing needed to introduce updated technology and equipment from abroad for technological upgrading and transformation will be guaranteed.

To encourage enterprises to establish joint-invested or co-operative ventures in other countries, the Chinese government allows those which have succeeded to use all the foreign exchange they earn.

Aquino To Respect Base Agreement Until 1991
*OW190040 Beijing XINHUA in English 1103 GMT
18 Apr 88*

[Text] Manila, April 18 (XINHUA)—Philippine President Corazon Aquino said here today her government will stick to the position on the U.S. military bases in the Philippines, that is, to respect the bases agreement until 1991.

It will be a different matter after the agreement expires in 1991, Mrs. Aquino told a press conference in the presidential palace this afternoon. This is a matter "that will have to be studied very carefully," the president said.

She said that the Philippines and the U.S. are presently undergoing a review of the military bases agreement. The review is just going over the terms and conditions set in the agreement and she will wait for the recommendations of the Philippine panel headed by Foreign Affairs Secretary Raul Manglapus until after the review talks are completed.

The president said that she will give her position on the U.S. bases later on.

As this administration is concerned, she said, "I want to keep my options open."

Asked about her attitude towards a referendum on the future of the U.S. bases, President Aquino said that according to the Constitution, "it will be up to the congress to decide whether there should be a plebiscite or not."

The U.S. maintains its two largest overseas military bases in the Philippines — the Clark Air Base and Subic Naval Base. The Philippines-U.S. review on the bases agreement started here on April 5 and is expected to end in July.

Thai, Lao Troops Clash at Border 16 Apr
*OW181022 Beijing XINHUA in English 0636 GMT
18 Apr 88*

[Text] Bangkok, April 18 (XINHUA)—One Laotian soldier was killed and another wounded in a clash with Thai troops at a border village in Chiang Khan District of Loei Province on April 16, according to a local press report today.

Thai informed military sources were quoted as saying that the shooting erupted when Laotian soldiers arrested a Thai warrant officer during a "Songkran festival", also known as the water festival, which is celebrated by Thai and Laotians.

The killed was among a group of Laotians who fired at some Thai defense volunteers, the sources said.

This is the first such incident since the February ceasefire this year.

According to another report, Niran Panupong, Thai ambassador to Laos, who returned to Bangkok on April 15 on a Foreign Ministry summons to discuss the current situation, said Laos is waiting for a Thai invitation for a third round of negotiations in Bangkok.

Thailand and Laos had been fighting for the control of an 80-square-kilometer strip of land between the Thai province of Phitsanulok and the Lao province of Sayaboury from November last year to February this year.

A ceasefire agreement was reached in mid-February between military delegations of the two countries, which was followed by two rounds of government talks in Vientiane and Bangkok. But no agreement has been reached so far.

Near East & South Asia

Officials, Media React to Al-Wazir Assassination

Li Peng Sends Condolences
*OW171406 Beijing XINHUA in English 1342 GMT
17 Apr 88*

[Text] Beijing, April 17 (XINHUA)—Chinese Premier Li Peng today sent a message of condolence to Yasir Arafat, chairman of the Executive Committee of the Palestine Liberation Organization, over the tragic death by assassination of Abu Jihad [Khalil al-Wazir], member of the Central Committee of "Al-Fatah" and deputy commander-in-chief of the Palestinian revolutionary forces.

Li Peng said in his message, "I wish to extend, on behalf of the Chinese Government and people, our profound condolences to the Palestine Liberation Organization and members of the bereaved family of brother Abu Jihad. The Chinese Government and people strongly condemn such a heinous act of assassination."

"Abu Jihad was an outstanding and long-tested Palestinian leader and made great contributions to the Palestinian national cause. He was deeply loved by the Palestinian soldiers and people, and was also respected by the Chinese people. His passing is a tremendous loss to the Palestinian cause."

Premier Li Peng firmly believed that the PLO and the Palestinian people will turn sorrow into strength and reinforce their unity and persevere in struggle till their final victory.

Abu Jihad was reportedly shot and killed by seven gunmen including a woman at 01:30 a.m. Saturday at his residence in the northern suburb of Tunis. Two of his bodyguards and one Tunisian gardener were also killed in the attack.

19 April 1988

INTERNATIONAL AFFAIRS

Envoy Expresses Condolences

*OW181748 Beijing XINHUA in English 1730 GMT
18 Apr 88*

[Text] Tunis, April 18 (XINHUA)—Chinese Ambassador to Tunisia Zhu Yinglu expressed condolence to the Palestinian representative here today on the death of Khalil al-Wazir, deputy commander of the Palestinian Revolutionary Armed Forces.

The Chinese ambassador said, "We deeply sorrow over the death of Mr. Khalil al-Wazir and strongly condemn the criminal action of assassination."

He stressed that the Chinese government and people will continue their support for the Palestinian people in their just struggle for the restoration of their national rights until the final victory is gained.

Khalil al-Wazir, also known as Abu Jihad, was assassinated at his home in Tunis early last Saturday morning by gunmen believed to have connection with Israeli agents.

Foreign Ministry Statement

*OW190626 Beijing XINHUA in English 0547 GMT
19 Apr 88*

[Text] Beijing April 19 (XINHUA) — A Chinese Foreign Ministry spokesman today issued the following statement on the assassination of Abu Jihad leader of the Palestine Liberation Organization (PLO).

The statement said:

"We are deeply grieved over the tragic death by assassination of Abu Jihad, member of the Central Committee of 'Al Fatah' of Palestine and deputy commander-in-chief of the Palestinian Armed Forces.

"The Chinese Government and people strongly condemn the Israeli authorities for their despicable act of assassination and gross violation of Tunisia's sovereignty.

"We believe that the heroic Palestinian people will, under the leadership of the PLO, turn sorrow into strength and carry the struggle through to the end with even greater determination so as to achieve the lofty goal of the Palestinian national cause."

Paper Decries Death

*HK191118 Beijing RENMIN RIBAO in Chinese
19 Apr 88 p 6*

[Short Commentary: "Assassination Cannot Cow the Palestinian People"]

[Text] Abu Jihad, deputy commander in chief of the Palestinian Armed Forces, was murdered in cold blood in his home on 16 April. This is a long premeditated,

politically motivated murder and the grave crime committed by the enemy of the Palestinian cause against the Palestinian people and the Arab nation. We express our greatest indignation and strongly condemn the plotters of the atrocity.

Jihad, a long tested, outstanding Palestinian leader, has made immortal contributions to the cause of the Palestinian nation. At present, the struggles waged by the Palestinian people in the occupied Arab territories in the West Bank of the Jordan River and Gaza Strip against Israel's atrocities are continuing to develop in depth and have won the increasingly wide support and sympathy of the international community. The Israeli authorities have found themselves all the more in an isolated position domestically and internationally. Abu Jihad was unfortunately murdered at this juncture. With this, obviously, the enemy of the Palestinian cause vainly attempted to shake the determination of the Palestinian people to carry out their struggle by using terrorist assassination means and to sabotage the struggle of the Arab people.

In the last several decades, under the leadership of the Palestine Liberation Organization (PLO), the Palestinian people have carried out an extremely hard and difficult struggle and experienced all kinds of hardships and the tests of being frustrated, expelled, and massacred in their attempts to regain their deprived national rights and to strive for a fair, comprehensive, and rational solution of the Palestinian question. In their struggle against their enemy and with all sorts of difficulties, the heroic Palestinian people have tempered themselves and enhanced their revolutionary will, accumulated rich experience, and improved their art of struggle. Hence, their cause has steadily been developing from being small to large and from weak to strong. The facts have proved that the national cause of the Palestinian people is invincible.

Assassination is the most contemptible act. That the enemy assassinated the PLO leader exactly shows their fear of the deepening development of the struggle the Palestinian people against Israel. Instead of scaring the Palestinian people who are fighting for a just cause, the enemy's evil bullets can only promote them to strengthen unity among themselves and share a bitter hatred of the enemy and make them more determined to fight and to carry on a new stage their struggle against the Israeli policy of aggression and expansion and for the realization of the national liberation cause.

U.S. Navy Attacks Two Iranian Oil Platforms

*OW181052 Beijing XINHUA in English 1036 GMT
18 Apr 88*

[Text] Tehran, April 18 (XINHUA)—Two Iranian oil platforms in the Persian Gulf were attacked by the American naval forces this morning, the ISLAMIC REPUBLIC NEWS AGENCY reported.

U.S. warships and helicopters first attacked the Nasr oil platform at about 09:00 a.M. (0530 GMT) and then fired at the nearby Salman platform 23 minutes later.

No casualties are immediately available.

Nasr platform in Siri Island has a daily production of about 38,000 barrels of oil, the report said.

The Salman platform, a joint Iran-Oman oil field, has been previously subjected to Iraqi attacks several times.

The U.S. attacks on Iranian oil platforms came after Washington accused Iran of having connection with the mine explosion which damaged the hull of the American frigate Samuel Roberts in the Gulf waters last week, and injured 10 crewmen.

Iran has denied the charges and warned the White House against any military aggression against Iran.

The U.S. Naval attack on Iranian targets is the second of its kind within six months. On October 19 last year, American warships raided two Iranian oil platforms near Qatar, wounding some people.

PRC Calls for Forceful UN Measures in Mideast
*OW151916 Beijing XINHUA in English 1850 GMT
15 Apr 88*

[Text] United Nations, April 15 (XINHUA)—China today called upon the UN Security Council to take "forceful measures" in dealing with the deteriorating situation in the occupied territories.

Ambassador Yu Mengjia, deputy permanent representative of China to the United Nations, said that the council should take "further and more effective steps" to compel the Israeli authorities to implement relevant Security Council resolutions, and stop forthwith their suppression and deportation of Palestinians.

Ambassador Yu made this statement at a meeting of the council this morning as it resumes its deliberations on the situation of occupied territories. The council has held two meetings on the agenda since March 30.

He stated that the international community should view the present situation "with a renewed and greater sense of urgency" and vigorously promote the Middle East peace process through individual or collective efforts in order to seek a fair, comprehensive and lasting solution of the problem.

He expressed the conviction of the Chinese delegation that the convocation of an international conference under the auspices of the United Nations is an effective way for seeking Middle East peace.

He reiterated the Chinese position that to maintain the status quo is no longer possible, and trying to do so will only exacerbate the situation.

"The developments in the region have made it amply clear that a comprehensive, just and reasonable settlement of the Middle East question brooks no delay," he said. The international community must redouble its efforts to reverse the dangerous situation caused by intensified Israeli aggression and push for a political settlement of the problem.

Reactions to Geneva Accord on Afghanistan

Foreign Ministry Statement
*HK190710 Beijing RENMIN RIBAO in Chinese
16 Apr 88 p 1*

[XINHUA report: "Full Text of PRC Foreign Ministry Spokesmen's Statement on Geneva Accord"]

[Text] Beijing, 15 Apr (XINHUA)—A Foreign Ministry spokesman today issued a statement on the signing of the Geneva Accord. The full text is as follows:

China has all along maintained that Soviet troop withdrawal from Afghanistan is the key to a political settlement of the Afghan question. The signing of the Geneva Accord is a positive development of events for which we express our welcome. This is a major victory for the Afghan people in their sustained heroic struggle against foreign invasion and also a victory for the countries of the world in their unremitting endeavor to safeguard the norms governing international relations and uphold international justice. We appreciate the contribution made by the United Nations and Pakistan toward a political settlement of the Afghan question. We hope that the Soviet Union will withdraw all its troops from Afghanistan within the time limit set by the accord, so that the independent, sovereign, neutral, and nonaligned status of Afghanistan can be restored soon and the Afghan refugees will be able to return to their homeland as early as possible and enjoy a peaceful life again.

Daily Discusses Future
*HK180258 Beijing RENMIN RIBAO in Chinese
17 Apr 88 p 6*

[Commentary by correspondent Shi Zongxing (0670 1350 2502): "Two Kinds of Future—After the Signing of the Geneva Agreement on Afghanistan"]

[Text] Islamabad—For the people of Afghanistan, who have suffered grievous calamities as a result of 8 years of Soviet military aggression, the Geneva agreement signed on 14 April is without doubt the hallmark of an historic change. According to the agreement, the Soviet Union will start to withdraw its forces on 15 May; half will be withdrawn during the first 3 months, and the withdrawal will be completed in 9 months. The 5 million Afghan refugees who unfortunately had to flee the country will

be able to return to their homeland with honor. The agreement has also made relevant stipulations regarding mutual noninterference between Pakistan and Afghanistan, international guarantees provided by the United States and the Soviet Union, UN supervision, and so on.

Observers here hold that this agreement, reached after 6 long years of negotiations, has finally unied the knot in the Afghan problem—the question of Soviet troop withdrawal. This is an important step toward the goal of bringing peace to Afghanistan. If the Soviet Union sincerely acts in accordance with the agreement, by the beginning of 1989, Afghanistan will be liberated from Soviet military occupation, while Pakistan will no longer be subject to direct Soviet military threats. This will have a positive impact on easing the situation in South Asia.

However, this agreement is only something on paper, and a very long road will have to be traversed to reach a final and complete solution to the Afghan problem. The media here are mainly concerned with the following three issues in the prospects for Afghanistan:

1. Will the Soviet Union be able to withdraw all its troops in accordance with the agreement? Internationally, it is generally held that the Soviet Union has 115,000 troops in Afghanistan at present, plus a large number of military advisers and uncountable amounts of weapons and equipment. Whether or not the Soviet Union will be able to withdraw all its military personnel plus the weapons and equipment within the deadline set by the agreement constitutes another test of Soviet sincerity. Recently the media have frequently mentioned the long Vakhan corridor in northeastern Afghanistan. According to reports, the Soviet Union has worked hard there since 1981, sending in a garrison force of 5,000 to build missile bases, military roads, airfields, and so on. People are waiting to see whether the Soviet Union will withdraw its troops from the Vakhan corridor.

2. When will a provisional Afghan Government be formed? Right up to the last moment before the signing of the agreement, this question, which has a major bearing on peace in Afghanistan, had still not been resolved, and the parties concerned had only reached an unwritten understanding that the UN mediator, acting purely as an individual, would summon the various Afghan factions to hold talks; and the Soviet Union only expressed verbal willingness to cooperate with Cordoves in this matter. Observers here believe that there will be many twists and turns and obstacles along the road to a provisional coalition government. The two main factions in Afghanistan remain in a state of confrontation on this issue today, neither giving way to the other. Under Soviet instigation, the Kabul authorities have proposed that the present regime should be regarded as the framework for a provisional government, complemented by a number of representatives of the resistance forces. However the resistance forces for their part insist that they should form the main body of the government and that a few "domestic Muslims" should be invited to

participate. These two ideas are far apart from each other, and it will evidently be a time-consuming and extremely arduous task to persuade the factions to form a coalition government.

3. Can a civil war in Afghanistan be averted? The common view here is that bloody conflict can hardly be avoided before a provisional government is formed, especially if there is deadlock in the talks on forming such a government. The resistance forces have already issued a statement saying that they will not undertake any obligations regarding the agreement but will continue to fight until the Soviet forces have been completely withdrawn and the Najibullah regime in Kabul has been overthrown. Again, in accordance with the final agreement reached through bargaining between the two guarantor states, the United States and the Soviet Union, after the Soviet troop withdrawal, these two states will continue to provide military aid to the Kabul regime and the resistance forces respectively. According to reports, the Soviet Union and the United States are currently stepping up shipments of arms, ammunition, fuel, and so on to the Kabul regime and the guerrillas. Hence, armed confrontation between the Afghan resistance forces and the Kabul regime is certain to continue.

In short, after entering a historical period hallmarked by the Geneva agreement, Afghanistan faces two futures: 1) Restoration of peace at an early date; or 2) descent into endless civil war. How to strive for the first alternative without a civil war breaking out is a new question for the people of Afghanistan and also for all the parties who signed the agreement. And the solution of this question also depends on many factors. As far as internal Afghan factors are concerned, the matter mainly depends on whether the various factions will be willing to hold talks on forming a provisional government and on the success of such talks. As for international factors, the matter mainly depends on whether the Soviet Union and the United States will be able to shoulder their responsibilities in guaranteeing peace in Afghanistan.

Paper Comments

HK160402 Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 16 Apr 88 p 6

[Commentator's article: "First Step Toward Political Settlement of the Afghan Problem"]

[Text] After 6 tortuous years, agreement has finally been reached in the indirect talks between Pakistan and the Afghan Kabul regime, which aroused worldwide attention, on a political solution of the Afghan problem, and the agreement was formally signed in Geneva on 14 April.

According to the agreement, the Soviet Union will start withdrawing its troops from Afghanistan on 15 May, and the withdrawal will be completed in 9 months; and the Afghan refugees will be free to return to their homeland.

The signing of the Geneva agreement has created favorable conditions for achieving a just and rational solution of the Afghan problem without external interference, and it merits welcome.

From the moment that Soviet troops were sent into Afghanistan more than 8 years ago, they encountered brave resistance from the Afghan people, together with worldwide condemnation and opposition. This move has also aroused growing dissatisfaction on the part of the Soviet people.

China and the great majority of countries have consistently maintained the just stand that Soviet troops must be withdrawn from Afghanistan, holding that this is the key to a political solution of the Afghan problem.

The signing of the Geneva agreement is a victory for the Afghan people in waging bloody battles to defy brute force, and is also a victory for the struggle of the peoples of the whole world in upholding justice and the principles of international relations.

It should be particularly pointed out that Pakistan has consistently been concerned for and supported the just struggle of the Afghan people and has not shrunk from tremendous economic burdens and all kinds of pressures in providing humanitarian aid for 3 million Afghan refugees, thus making a major contribution to the Afghan people's victory in their war against aggression and to the attainment of the Geneva agreement.

The representatives specially commissioned by the United Nations have done a great deal of useful work in mediating between the parties concerned as instructed by the UN secretary general, in order to ensure the smooth progress and the results of the indirect Pakistani-Afghan talks. The Geneva agreement could not have been attained without the unwavering efforts of the United Nations.

The signing of the Geneva agreement is only the first step toward a solution of the Afghan problem, and a very long road will have to be traversed in order to reach a final solution. As the country involved in the Afghan problem and a guarantor of the implementation of the Geneva agreement, the Soviet Union should properly fulfill its commitments, withdraw all its troops from Afghanistan on schedule, interfere no more in Afghan internal affairs, and allow the Afghan people to take their destiny into their own hands and decide on their country's affairs themselves; the Soviet Union must guarantee Afghanistan's independence, sovereignty, and neutral and nonaligned status; and it must enable the refugees who have suffered so much from leaving their homes to return there at an early date, to enjoy a life of peace and tranquility. If all this is done, it could be regarded as a wise move on the part of the Soviet authorities.

That the Afghan problem has developed to the situation of today makes people think deeply. The facts have proven that, even if it can cause havoc for a time, no country in the world today, large or small, can succeed in the end if it practices a hegemonic policy in international relations and relies on the use of force to violate the independence and territorial sovereignty of other states.

XINHUA 'News Analysis'

OW160610 Beijing XINHUA in English 0533 GMT
16 Apr 88

[“News Analysis: Afghanistan to Re-Emerge as an Independent Nation (by Li Jiasheng and Tang Shuifu)” — XINHUA headline]

[Text] Islamabad, April 15 (XINHUA)—With the signing of a peace agreement on the political settlement of the Afghan crisis in Geneva yesterday, Afghanistan will possibly re-emerge as an independent nation free of Soviet occupation.

The peace agreement calls for the complete withdrawal of the Soviet occupation troops from Afghanistan, voluntary return of Afghan refugees under safeguards, and restoration of Afghanistan as an independent and non-aligned nation.

The Soviet Union, which invaded the small Muslim country in December 1979, has agreed that an estimated 115,000 troops will be completely withdrawn within 9 months from May 15, with half of the Soviet contingent to pull out in the first 3 months.

The Soviet decision to withdraw its troops is deemed by analysts here as a result of the protracted resistance of the Afghan people against foreign occupation, Pakistan's stand on the afghanistan conflict, and pressure exerted by the international community.

From the very first day that Soviet tanks rumbled into Afghanistan, the Afghan people took up arms, and even sticks to begin their stiff resistance to the Soviet occupation troops.

Despite a more intensive and sophisticated Soviet effort on all fronts—military, political, and diplomatic—the Afghan resistance forces have maintained courage and ability to hold their own in the face of aggression. They have sacrificed more than 1 million lives in defending their homeland in the past 8 years.

The Soviet Union, which attempted to control all of Afghanistan within a few weeks time, has spared no effort in launching military operations to crush the resistance. However, it has failed to achieve that objective. On the contrary, soviet troops have been stuck in a prolonged and hopeless war.

During the past 8 years-plus, the Soviet Union has sustained casualties of about 30,000 soldiers and spent more than 10 billion U.S. dollars on the war. Many of its citizens have criticized the Government's Afghanistan policy and called on the authorities to immediately end the war.

Pakistan, as a neighbor of Afghanistan had all along adhered to a stand that the prerequisite for a political solution to the Afghanistan issue should be the immediate, unconditional, and total withdrawal of the Soviet troops.

During the indirect talks that started in June 1982, Islamabad stuck to the four principles of the United Nations' Resolution, namely, Soviet troop withdrawal; restoration of Afghanistan's sovereignty, independence and nonaligned status; safe return of refugees and respect for the Afghan people's right to determine their own political and economic system.

Pakistan not only has to bear the economic burden of sheltering more than 3 million Afghan refugees but also has faced tremendous pressure from the threat of sabotage from the Kabul regime and its Moscow supporters.

With the assistance of Moscow, the Kabul regime during the past few years has conducted repeated air attacks and cross-border shelling on Pakistan territory and sent many terrorists to Pakistan for sabotage, causing heavy casualties among Pakistanis and Afghan refugees.

However, Pakistan has withstood the pressure of the Kabul regime and the Soviet Union, and not shrunk from its stand on the Afghanistan problem.

The Geneva peace agreement will secure the withdrawal of the Soviet troops—an essential condition for Afghanistan to regain its status as an independent state. But, since the agreement only covers the external aspects of the Afghanistan issue and does not guarantee an end to the fighting in Afghanistan, it may take some time before peace is returned to the country.

Diplomatic sources here maintain that a civil war will break out between the Kabul regime's troops and Afghan resistance forces once the Soviet troops leave. To avoid more bloodshed, these diplomats say, it is necessary to set up a broad-based interim government in Afghanistan.

CHINA DAILY Comments
HK160624 Beijing CHINA DAILY in English
16 Apr 88 p 4

[By CHINA DAILY commentator]

[Text] The signing of the accords on the Afghan issue in Geneva on Thursday means that the 115,000 Soviet troops in Afghanistan are scheduled to be pulled out in nine months, beginning from May 15.

This marks a victory for the Afghan people, who have, in very hard conditions, steadfastly resisted foreign military aggression for more than eight years despite heavy odds in arms and equipment. It is also a victory for the people of the world who uphold justice and international norms in relations among nations.

Since the end of 1979, when Soviet troops were sent into this mountainous country in inland Asia, the Afghan issue has been one of the centres of world attention. The aggression in Afghanistan had a poisoning effect on the atmosphere of and triggered numerous protests and demonstrations around the world.

Soviet troops failed to subdue the Afghan nation, small as it is, with their far superior military might in this protracted war. On the contrary, the Soviet military presence became a "bleeding wound" for the Soviet Union itself, because it suffered heavy casualties, nearly 30,000 soldiers, and an outlay of more than \$10 billion, without knowing how to explain the event to its public. Pressured by world condemnation and the opposition of its own people, the new Soviet leadership under Mikhail Gorbachev had to re-examine the government's past behaviour and finally arrived at the decision to pull out.

Modern history has witnessed many major disastrous ends for big powers trying to conquer smaller nations. And here is another example of hegemonism's bitter failure.

China and all other peace-loving nations throughout the world constantly uphold the principle of "letting each nation settling its own affairs without outside interference" and strongly oppose foreign military intervention and occupation of any other country. The Geneva accords on the Afghan issue represent a victory of this principle.

Both the United Nations and Pakistan deserve praise from the world's people for the positive roles they have consistently played for a political solution of the Afghan issue. Especially Pakistan, a close neighbour, has rendered great help to the Afghan people in their national distress, generously provided shelter for 3 million refugees on humanitarian grounds and made substantial contributions to the indirect talks in Geneva.

However, the removal of foreign troops does not mean that the Afghan issue is solved and the wounds of an eight-year war will be healed overnight. Afghan people still face great challenges in uniting the nation and resolving the differences among all sections to safeguard their supreme national interests. Thus, the above principle still has to be upheld to prevent foreign intervention of any kind in this nation.

Agreement has been reached, but what is most important is that foreign troops withdraw from the country according to the timetable set in the Geneva accords without

any qualification. Only in this way, can favourable conditions be created for making Afghanistan an independent, sovereign, neutral and non-aligned state at an early date.

Withdrawal Outlined

OW180814 Beijing XINHUA in English 0752 GMT
18 Apr 88

[Text] Islamabad, April 18 (XINHUA)—The Soviet Union is planning to evacuate its invading forces from Afghanistan via two commercial ports, Hairatan in Balkh Province and Torghundi in Herat Province, Afghan Media Resource Center (AMRC) reported today.

AMRC said a special joint committee comprising the Soviet and Kabul military personnel has been appointed to consider the transference of control of 181 Soviet bases to the Kabul regime troops.

The withdrawing troops based in Kabul and adjoining northern and eastern provinces will have to pass through the Salang Tunnel on the highway linking Kabul with Hairatan riverport. Other troops based in southern and western provinces will use the Kabul-Harat highway for evacuation, the report said.

In the past two months the Soviets have reportedly transferred the control of several posts near the Kabul airport to the Kabul troops.

The agency said a major Soviet troops base in the Dar-ul-Aman area in Kabul will be replaced by the 1st brigade of the Afghan Army. The 12,080-man 66th Soviet division based in Nangarhar Province will be replaced by the frontier force of that province, it added.

The Afghan security forces will retrieve the control of the Khair Khana Area and northern and northwestern parts of the city. The control of township and villages, where the Soviet civilian families reside, will be transferred to the Ministry of State Security (Khad) soon, AMRC quoted reliable sources as saying.

The sources said the formation of four new divisions assigned to maintain securitypmf kabul city from all directions after the Soviet troop withdrawal has been completed. The four divisions consist of Khad, security forces, armed fokces and the security guard of presidency palace, they disclosed.

Sino-Arab Chamber of Commerce for Syria
OW171326 Beijing XINHUA in English 1920 GMT
10 Apr 88

[Text] Damascus, April 10 (XINHUA)—An agreement for the establishment of a Sino-Arab joint Chamber of Commerce was signed here today during the 30th session of the Arab Chamber of Commerce, Industry and Agriculture conference.

Xu Dayou, vice-president of the Chinese Council for the Promotion of International Trade attended the conference and signed the agreement on behalf of China.

He told XINHUA that the agreement is aimed at developing mutual understanding and friendship between the Arab countries and the People's Republic of China, and promoting economic cooperation between them.

This is the first joint chamber of commerce to be established between China and other countries.

Xu noted that the joint chamber will encourage the development of Sino-Arab joint ventures and promote tourism between China and Arab states.

Iranian Army Day Marked in Beijing

OW151529 Beijing XINHUA in English 1222 GMT
15 Apr 88

[Text] Beijing, April 15 (XINHUA) — Col. Abdollah Khamenei, Armed Forces attache of the embassy of the Islamic Republic of Iran in Beijing, held a reception at the embassy today to celebrate the Iranian Army Day.

Xu Xin, deputy chief of general staff of the Chinese People's Liberation Army attended.

West Europe

Zhao Interviewed by French Reporter

OW180104 Shanghai Voice of Pujiang in Mandarin
to Taiwan 0900 GMT 17 Apr 88

[Text] According to a XINHUA dispatch datelined Beijing, General Secretary Zhao Ziyang of the CPC Central Committee gave an interview to Jacqueline Dubois, a reporter from the French No 1 Television Station, at Zhongnanhai yesterday afternoon.

Dubois first asked Zhao Ziayng to take a walk with him along a lake where willows were turning green and peach trees blooming. They talked while walking.

Dubois then asked: How many hours do you work a day?

Zhao Ziyang said: I work 9 hours a day. I try to make time for some recreation, such as walking, jogging, and swimming. Occasionally, I also play some golf to engage in some outdoor activity.

When Dubois, who was born in Tianjin and speaks Chinese, asked about his disposition [xingge], Zhao Ziyang said: No one abroad associates my name with a so-called iron-handed or strong man. With a rather gentle disposition, I seldom lose my temper.

When asked by Dubois about what makes him feel happiest, Zhao Ziyang said with a smile on his face: I feel happiest when one of my ideas is realized and receives favorable comments from people at home.

PRC-Portugal Liaison Group Ends Meeting on Macao
OW190222 Beijing XINHUA Domestic Service
in Chinese 1532 GMT 16 Apr 88

[Text] Lisbon, 16 Apr (XINHUA) — The Chinese delegation to the first meeting of the Sino-Portuguese Liaison Group on Macao left Lisbon for home today.

During the stay in Lisbon, the Chinese delegation, headed by Ambassador Kang Yimin, and the Portuguese delegation, headed by Ambassador (Simoes Ke-Ai-Lue), held the meeting from 11 through 14 April. The two sides reached an agreement on details of the work of the Liaison Group and exchanged views on major issues of common concern during Macao's transitional period. The meeting was held in a friendly and cooperative atmosphere. The two sides also decided to hold the next meeting in late September in Beijing.

Greek President Arrives for Official Visit
OW190756 Beijing XINHUA in English 0530 GMT
19 Apr 88

[Text] Beijing, April 19 (XINHUA)—Greek President Kristos A. Sartzidakis arrived in Beijing by special plane this afternoon on a six-day official visit to China.

Sartzidakis is the first Greek president to visit China since the two countries established diplomatic relations in 1972. Accompanying him on the visit are Mrs. Sartzidakis, Minister of National Economy Panayiotis Roumeliotis and Minister of Education and Religion Andonios Tritsis.

Wang Meng, chairman of the Chinese Government Reception Committee and minister of culture, greeted the guests at the airport.

Chinese President Yang Shangkun will hold a welcome ceremony in honor of the Greek president and his party later this afternoon.

Interviewed on Visit
OW161248 Beijing XINHUA in English 1152 GMT
16 Apr 88

[“Greek President Says Prospect of Sino-Greek Ties ‘Very Promising’ (by Zhou Xisheng) — XINHUA Headline]

[Text] Athens, April 16 (XINHUA) — Greek President Kristo Sartzidakis has said there are no political problems between Greece and China and Greek-Chinese economic and cultural relations are being developed steadily.

“I can say with certainty that the future of our bilateral ties looks very promising,” Sartzidakis said in an exclusive interview with XINHUA on the eve of his official visit to China, the first one by the Greek head of state since the two countries established diplomatic relations in 1972.

Accompanied by Greek National Economy Minister Panayiotis Roumeliotis, Education Minister Andonios Tritsis and Alternate Foreign Minister Ioannis Kapsis, the Greek president leaves Athens this afternoon and is scheduled to arrive in Beijing next Tuesday after a stop-over in Hong Kong.

“I look forward with great interest and pleasure to visiting China, which, from ancient times, has contributed in such an important way to the development of civilization,” Sartzidakis said.

“My visit will enable me to have a direct contact with a great country and its valorous people, to meet with its political leaders, to exchange views with them on various international as well as bilateral issues and to profit by their wisdom,” he added.

The Greek president expressed his satisfaction with the “constructive and fruitful development” of Sino-Greek relations in the past 16 years.

He stressed the relations “have been based on the principles of consolidating and promoting world peace, on mutual respect and understanding and on our common goal of achieving further economic and technological development.”

Sartzidakis noted, “regardless of the different socio-economic systems existing in our two countries, we have created conditions and explored fields for closer cooperation.”

He emphasized the possibilities of “closer economic cooperation between Greece and China in many fields, including industry, trade, tourism, shipping and agriculture.”

He expressed his appreciation of “the great reforms” which China is carrying out, saying that “in Greece, we are following your efforts with great interest and I would like to express our warm wishes for success in your endeavors.”

Referring to Greece’s foreign relations, the Greek president said his country, “due to her geographic situation, has always served as a link between the East and the West, and will continue to do so.”

He stressed that as a Balkan country, Greece attaches great importance to developing and promoting friendly relations and cooperation among the six Balkan nations.

"The prospects of Balkan cooperation seem very promising," he said.

Sartzidakis believed that the recent Balkan foreign ministers meeting in Belgrade, the first of its kind in the peninsula's history, had given "a new impetus to Balkan cooperation and contributed to a clear improvement of the political climate in the region on the level of both multilateral and bilateral relations."

He stressed the positive results of the Belgrade meeting clearly indicated that all countries in the region "have realized both the economic and the political advantages of regional cooperation."

"This realization is the key element for the future progress of our multilateral collaboration in all fields," the Greek leader said. Turning to the prospects of international peace and disarmament, the Greek president called the U.S.-Soviet treaty on scrapping intermediate nuclear forces (INF) signed in Washington last December a "historic one."

Sartzidakis expressed his "earnest hope for a speedy ratification of the treaty" and called on the two superpowers to take the next decisive step in the efforts towards arms control.

He hoped the agreement on the 50 percent reduction of strategic nuclear forces will be signed during the forthcoming summit meeting between U.S. President Ronald Reagan and Soviet leader Mikhail Gorbachev in Moscow in May.

Meanwhile, the Greek leader stressed the need and importance of eliminating chemical weapons.

"We should make consistent efforts in this direction whatever the difficulties of verification for this category of armaments may be," he said.

With regard to conventional armaments, the Greek president expressed his belief that "the favorable international circumstances and the good climate in East-West relations will contribute to the progress" of disarmament talks in Vienna, Austria, and conventional arms in Europe would be brought to "the lowest possible level."

Economic Ties To Improve

OW190506 Beijing XINHUA in English 0149 GMT
19 Apr 88

[Text] Beijing, April 19 (XINHUA)—Trade and economic relations between China and Greece are expected to grow with Greek President Christos Sartzidakis's week-long visit to China starting today.

The president's visit will surely help increase the bilateral trade volume, which is very small compared with other European Economic Community nations, said Feng Shu, an official from the Chinese Ministry of Foreign Economic Relations and Trade, reported today's "CHINA DAILY".

During his visit, the president will meet Chinese Communist Party General Secretary Zhao Ziyang and Premier Li Peng.

Meanwhile, Vassiliki Roumeliotis, minister in charge of Greek's national economy, will meet with Zheng Tuobin, to discuss bilateral trade and cooperative issues.

"We hope the Greek Government will ease some of its restrictions on China's exports of textiles, porcelain and other industrial products," Feng was quoted by the English-language newspaper as saying.

He said China is satisfied with the bilateral trade development since the two countries established diplomatic relations in 1972.

Greater development began in 1981, when Greece joined EEC, which has become one of China's major trade partners.

Last year, Sino-Greek trade volume reached 53.9 million U.S. dollars, 10 million U.S. dollars more than in 1986. But it was much lower than the 1985 figure of 85.6 million U.S. dollars, because China reduced its import of steel from Greece.

[Words indistinct] account for almost half of China's exports to Greece. China hopes to export machinery and household electrical appliances to Greece, Feng said.

Greece also has expressed its interest in importing oil, coal, freshwater fish and mutton from China because of their good quality and competitive prices.

Early in 1983, the two countries signed an economic and technology agreement. Negotiations have been conducted in such fields as farm production, textiles, food processing, electronics and shipping.

A Chinese economic and technology delegation came back on April 10 after talks on 60 cooperative projects with Greece companies. Letters of intent or memorandums were signed on 15 projects in machinery, electronics, metals, car components, shipping and fisheries.

Tourist Cooperation Agreement With Greece Signed

OW161738 Beijing XINHUA in English 1527 GMT
16 Apr 88

[Text] Beijing, April 16 (XINHUA)—An agreement on tourist cooperation between the Chinese and Greek Governments was signed here this evening.

He Guangwei, deputy director of China's National Tourism Administration (NTA), and K. Kyriazis, president of the National Tourist Organization of Greece, signed the agreement on behalf of their respective governments.

Present at the signing ceremony were Han Kehua, director of the NTA, and Greek Ambassador to China Emmanuel Megalokonomos.

After the ceremony, Han hosted a banquet for Kyriazis and his party.

Tian Jiyun Meets Irish Trade Minister
HK150907 Beijing CHINA DAILY in English
14 Apr 88 p 2

[Text] China's newly-reappointed Vice-Premier, Tian Jiyun, listed two basic points in China's current foreign trade reform efforts in a meeting on Tuesday with Albert Reynolds, Irish Minister for Industry, Trade, Commerce and Tourism.

The first involves the loosening of government control over enterprise management and delegating power to lower levels of authority, and the second requires foreign trade and production departments to share the responsibility for their own losses and profits.

At the meeting, Vice-Premier Tian said that the purpose of the foreign trade reform is to give the foreign trade and production departments the freedom necessary in conducting business with foreign firms.

He told his visitors that the Chinese Ministry of Foreign Economic Relations and Trade will take a management role with regard to macro-guidance of the economy, co-ordination between industries, supervision and examination.

China now has clear aims in the area of economic reform, Tian said. This includes moving towards a planned commodity economy and away from the highly centralized economy of the past. China would develop the advantages of socialism and at the same time learn from the advanced techniques and management of the capitalist countries and introduce the market mechanism and competition into China, he noted.

On bilateral relations, Tian said, since the establishment of diplomatic relations between China and Ireland, political, economic and trade relations have all enjoyed smooth progress.

The vice-premier noted that there is great potential for further development of bilateral trade and economic co-operation. Ireland boasts advanced technologies in such areas as electronics, animal husbandry, and chemicals. China also has many products needed by Ireland, he added.

Wang Shoudao Meets FRG University Guests
OW181354 Beijing XINHUA in English 1131 GMT
18 Apr 88

[Text] Beijing, April 18 (XINHUA)—Wang Shoudao, member of the Standing Committee of the Central Advisory Commission of the Chinese Communist Party and president of the China Association for International Friendly Contacts (CAIFC), met and feted here this evening the Mannheim University and Baden-Wurttemberg Land industry and commerce delegation from the Federal Republic of Germany.

Headed by Professor H. Chantraine, who is president of the Mannheim University, the delegation is here at the invitation of the CAIFC.

Joint-Venture With Netherlands Starts
OW180458 Beijing XINHUA in English 1622 GMT
4 Apr 88

[Text] Shanghai, April 14 (XINHUA)—A Sino-Netherlands joint venture transport company will officially be launched in Shanghai tomorrow. XINHUA learned today.

The Shanghai Exportrans Ltd. will undertake package transport of foreign products to Shanghai city and other parts of the Shanghai economic zone for exhibitions, according to a company official.

The zone encompasses Jiangsu, Anhui, Zhejiang and Jiangxi Provinces as well.

Until now, a foreign company to hold an exhibition in China has had to order a foreign transport company to handle the exhibits from its home country to China, which will then be transported by a Chinese transport firm to where the exhibition is held.

The Shanghai Exportrans Ltd. will be jointly run by the Shanghai Branch of China National Foreign Trade Transport Co., Shanghai International Trade Information and Exhibition Co., and the Royal Nedlloyd Group of Hansen Far East Ltd. of the Netherlands.

Li Peng Announces State Council Members' Duties
*OW181530 Beijing XINHUA in English 1456 GMT
18 Apr 88*

[Text] Beijing, April 18 (XINHUA)—China's Premier Li Peng chaired the first plenary meeting of the State Council this afternoon and announced the division of labor of new government members.

As decided at the first State Council Standing Committee meeting on April 14, Li Peng is in charge of the State Council's overall duties, with Vice-Premier Yao Yilin in charge of daily and economic affairs.

Vice-Premier Tian Jiyun will be responsible for agriculture, commerce and trade, while Vice-Premier Wu Xueqian will handle foreign affairs.

As for State Councillors' duties, Li Tieyin will be in charge of culture and education, Song Jian, science and technology, Wang Fang, legal affairs and Zou Jiahua, industry and transportation. State Councillor Qin Jiwei is concurrently minister of national defense, and Wang Bingqian, minister of finance, and Li Guixian, governor of the People's Bank of China. Chen Xitong will be in charge of coordinating work relations between central government departments and Beijing Municipality as well as city planning and construction of the Chinese capital.

Chen Junsheng, state councillor and the State Council's secretary general who is to assist Yao Yilin in the routine work, announced the State Council's work regulations which spell out the council's function and power, State Council members' responsibility, the State Council's meeting system, documents approval procedures and the system of social consultation and discussion.

According to the regulations, the premier is responsible for the State Council and he is to be assisted by the vice-premiers and state councillors.

State Council members should carry out the Party lines, principles and policies, the said, and the State Council's work should be guided by the National People's Congress and its Standing Committee.

The regulations called for high work efficiency and less bureaucracy.

Under the regulations, all important issues must be discussed and decided by the State Council's Standing Committee meeting or plenary meeting.

At the meeting Li Peng stressed once again the State Council should put reform at the center of all our undertakings and push work forward in various fields.

"The new government should inherit the good traditions of previous governments while creating its own unique work style," Li said.

Calling for honesty in government, Li Peng insisted the State Council and its affiliate departments make strict demands on themselves and set an example for the masses.

"We should start with whatever the masses are most dissatisfied," Li said, adding currently, strict control should be imposed on building too many office buildings, hotels and auditoriums, and unnecessary banquets should be stopped.

Li also called for tightening discipline by saying, "State Council decisions should be strictly carried out and defiance of orders should be prohibited."

Li also said he welcomes criticism on the State Council's work and called for proposals from the masses.

On overcoming bureaucratism Li said, "A definite answer should be given on matters submitted by subordinate departments, whether or not the problems can be solved."

According to Li, the State Council should take the criticism and proposals put forward at the recent sessions of the National People's Congress and the People's Political Consultative Conference seriously.

On government restructuring Li said, the key to doing a good job is to clearly define the function of government departments, the number of institutions to be set up, and staff size.

Li called for more work in agriculture production and ample supplies of materials needed in production.

Traffic control problems need to be solved, Li said, and a research-based plan should be submitted to the State Council for examination.

Wang Bingqian Delivers 1988 Budget Report
*HK181241 Beijing RENMIN RIBAO in Chinese
17 Apr 88 p 3*

[**"Report on the Implementation of the 1987 State Budget and the Draft Budget For 1988, Delivered At the First Session of the Seventh NPC by Wang Bingqian, State Councillor and Finance Minister, on 26 March 1988—passages in boldface as published"**]

[Text] Fellow deputies:

Entrusted by the State Council, I now submit a report on the implementation of the state budget for 1987 and the draft state budget for 1988 to the session for examination and approval.

I. Implementation of the State Budget For 1987 [subhead]

The situation of the development of the national economy in 1987 was fine. Under the leadership of the CPC and the People's Government, the people of all nationalities throughout the country conscientiously implemented the resolutions of the Fifth Session of the Sixth NPC; upheld the four cardinal principles; adhered to the reform and opening up to the outside world; and launched the campaign to increase production, practice economy, raise revenues, and reduce expenditures, thus achieving very great successes. In 1987, the situation in the country's production, construction, circulation, and foreign trade was better than expected and the growth rates of the economy were relatively normal. And fairly big advances were made in reform of the economic structure; enterprises were distinctively invigorated and macroeconomic control was further improved. With the development of the national economy, the state budget for 1987 was well implemented and fulfilled in terms of both revenue and expenditure. This guaranteed the financing of scheduled production and construction as well as the development of cultural, education, and scientific undertakings and facilitated the smooth implementation of measures adopted for economic reform.

According to current statistics, total state revenues in 1987 amounted to 234.663 billion yuan and total state expenditures were 242.692 billion yuan, leaving a deficit of 8.029 billion yuan. These figures may change slightly when the future state final accounts are compiled but it is has been estimated that its deficit figure will not exceed the deficit ceiling of this draft budget.

Of the above-mentioned total state revenues, financial revenues from domestic receipts amounted to 224.363 billion yuan or completing 100.5 percent of the budget and from foreign loans were 10.3 billion yuan or fulfilling 70.5 percent of the budget. The amount of money borrowed from foreign countries was less than formerly scheduled, mainly because there was not enough time to make adequate preparations for some construction projects and therefore, the use of some foreign loans was delayed. Of the implementation of state financial revenues from domestic receipts, tax receipts amounted to 213.482 billion yuan or completing 97.3 percent of the budget; from enterprises, 4.156 billion yuan or 117.5 percent; from state treasury bonds, 6.287 billion yuan or 104.8 percent; funds collected for the construction of key energy and transport projects, 17.476 billion yuan or 98.7 percent; and receipts from other sources, 20.511 billion yuan or 161.9 percent. Apart from this, subsidies for losses by enterprises amounted to 37.549 billion yuan, which was a debt in the budget and was already deducted from total state revenues.

Of total state expenditures in 1987, expenditures using domestic funds totaled 232.392 billion yuan or completing 100.5 percent of the budget and those using foreign loans were 10.3 billion yuan or 70.5 percent.

The breakdown of major items for total state expenditures in the year was as follows: budgetary appropriations for capital construction amounted to 61.204 billion yuan or fulfilling 93.3 percent of the budget; funds extended to tap the potential of existing enterprises, to finance their technological transformation, and to subsidize the trial manufacture of new products totaled 12.136 billion or 112.5 percent; aid to agricultural production and other operating expenses came to 13.42 billion yuan or 107.8 percent; operating expenses for culture, education, science, and public health were 40.557 billion yuan or 104.6 percent; expenditures for urban maintenance and construction amounted to 8.442 billion yuan or 118.4 percent; military spending accounted for 20.977 billion yuan or 102.9 percent; administrative expenses totaled 17.973 billion yuan or 115.2 percent; and subsidies to compensate for price rises came to 29.405 billion yuan or 87.2 percent. In addition, expenditures for amortizing state treasury bonds amounted to 2.314 billion yuan and for serving the principal and interest of foreign debt, 5.207 billion yuan.

While implementing the 1987 state budget, to fulfill the budgetary revenue and expenditure tasks, the State Council adopted several measures and held two nationwide meetings of governors one after another for their implementation. People's governments at various levels and departments concerned did a lot of work in expanding production, opening up new financial avenues, increasing revenues, and reducing expenditures, thus bringing about tangible results.

1. Extensively launch a campaign to increase production, practice economy, raise revenues, and reduce expenditures, thus boosting production and income. In the campaign to increase production, practice economy, raise revenues, and reduce expenditures, all localities and departments encouraged social practices, such as working hard and building the country with industry and frugality, making more contributions, and strictly observing discipline and mobilized the masses of people to learn from the advanced, to see where one lagged behind others, to exploit potentials, and to stress efficiency, thus achieving marked results. In 1987, the gross national product rose by 9.4 percent over the previous year; the national income by 9.3 percent; per-capita productivity of industrial departments by 7.6 percent; total retail sales of society's products by 9.6 percent after price rises were factored in; and total volume of imports and exports in foreign trade by 12 percent. With the development of production and expansion of circulation, financial revenues from domestic receipts increased by 2.7 percent over the preceding year, or a gain of around 6 percent if the incomparable factors such as tax cuts and profit concessions were excluded or calculated in terms of comparable items.

2. Enthusiastically carry out enterprise reforms with the contracted management responsibility system as the main content, thus pumping new vitality into enterprises. In

1987, financial and tax departments at all levels combined the implementation of the contracted management responsibility system in enterprises with the launching of the campaign to increase production, practice economy, raise revenue, and reduce expenditures, actively worked out contract-related propositions with the departments concerned to fix rational contract base figures and quotas for enterprises, participated in the signing of contracts, supervised their implementation, and did a good job in the work of squaring year-end accounts and honoring all commitments. They achieved remarkable results in this regard. By the end of December of last year, 10,826 large and medium-sized state-owned industrial enterprises in the state budget had implemented the contract system, comprising 78.1 percent of the national total of such enterprises. The output value and sale income of these enterprises and the taxes and profits they created and those they handed over to the state were in general higher than those of enterprises which had not yet introduced the contract system. At the same time, last year the state increased the depreciation rates of fixed assets of some state-owned enterprises, gave them regulatory tax cuts, and also introduced several measures, such as tax cuts and profit concessions, among enterprises in power, forestry, and textile and light industries. This helped noticeably boost the enterprises' financial resources under their own disposal and greatly invigorate the enterprises.

3. Increase input in agriculture and readjust the purchase prices of farm and sideline products, thus gathering more momentum for continued agricultural development. According to the country's budget for 1987, the expenditures in adding rural production and other agricultural undertakings totaled 13.42 billion yuan, an increase of 8 percent over the previous year; financial departments allotted an additional 1.6 billion yuan in working funds outside the budget to support agricultural production; and loans extended by banks and agricultural credit cooperatives to agricultural production rose by 30.2 percent over the preceding year. Meanwhile, to improve the system of purchasing such farm and sideline products as grain, cotton, and oil-bearing crops through contracts and to gradually harmonize the price disparity between agricultural products, the state reduced the quotas of grain purchased from the peasants according to the previously agreed upon contracts and appropriately increased the purchasing prices of some grain, oil-bearing crops, and cotton. The aforesaid measures played a very good role in ensuring the steady development of agricultural production, in particular, grain production, and in providing a strong backing for further developing agricultural production.

4. Conscientiously Implement the State Council's "Resolution on Enforcing Tax Discipline and Strengthening Tax Work," thus tightening tax control and supervision. Now people's sense of paying taxes according to law and collecting taxes according to tax rates has been strengthened and the practice of offering tax reductions and

exemptions by exceeding one's authority has been considerably halted. According to incomplete statistics, from April of last year when this "resolution" was promulgated to the end of the year, a total of 1.78 billion in tax evasion was recollected throughout the country. Moreover, cases of some localities offering tax reductions and exemptions by overstepping their authority were discovered and being handled and corrected on each merits.

5. Vigorously curtail and sparingly use or reduce financial expenditures, thus initially putting aplend to the situation in which there was a big increase in expenditures over the last 2 years. Financial expenditures in 1985 and 1986 increased very rapidly and they went up by 20.1 percent and 12.4 percent over the previous years. Moreover, they greatly exceeded the budget's limits for 2 years in succession. To curtail the excessively inflated expenditures, in 1987 the State Council, determined to slash financial expenditures, implemented the principle known as "three guarantees and three restrictions" in capital construction and assigned its subordinate departments relevant targets of control. Taking the situation as a whole into consideration, all localities and departments shoudered tough tasks and worked hard to curtail and sparingly use or reduce financial expenditures. The situation in this regard was fine. In 1987, financial expenditures at home increased just by 3 percent over the preceding year or only 0.5 percent higher than scheduled in the budget. This is a phenomenon rarely seen in the last few years. It has played a very important role in alleviating the contradiction between revenues and expenditures and controlling financial deficits.

6. Conduct a nationwide survey in tax, financial, and price affairs, thus enforcing financial discipline. Having seriously summed up experience in work over the last few years, last year the State Council dispatched many cadres, with cadres at the vice-ministerial level as the leaders, to go down to localities and departments to supervise the conducting of the nationwide survey and temporarily transferred from localities some financial personnel sent to factories to various central economic departments to help carry out the survey work. All localities and departments conscientiously organized enterprises to conduct self-examination activities and sent a large number of work teams to promote the work vigorously. As a result, the current survey was conducted much better than in the previous years in terms of both range and profundity and not only was financial discipline enforced and unhealthy practices curbed but some funds were also cleared up and recovered. By the end of December of last year, most of the 7 billion yuan or more in funds that should have been delivered to the state was handed to the state treasury. While affirming our achievements, we must also notice that at present some problems in the budget management remain: 1) When working out the budget in the beginning of 1987, the targets of revenue and expenditure were fixed rather tight and in the course of its implementation, additional funds were successively extended to cover expenses

relating to accelerating the reform and stabilizing the economy. Though necessary, it added difficulty in achieving a balance in the year's budget. 2) To open up new financial avenues and to increase financial resources, the State Council decided to collect tax on the use of cultivated land and to expand the scope of taxes collected for the construction funds for key energy and transport projects. Since these measures were taken rather late and moreover there was a dearth in tax-collecting personnel and concrete measures failed to be promptly undertaken, the tasks in these two fields were not fulfilled. 3) Curtailing investment in capital construction using locally raised funds and reducing administrative expenses were two priorities in controlling and reducing financial expenditures last year. Although expenditures in these two fields were somewhat reduced, the limits of the budget were also surpassed considerably because of a lack of strict control measures and the influence of price hikes. We should earnestly sum up experience and effectively solve these problems.

II. Draft State Budget for 1988 [subhead]

The basic principle for the economic work in 1988 laid down by the State Council in the light of the progress in our current economic construction and reform of the economic structure is to further emancipate the mind, to stabilize the economy, to deepen the reform, to let reform play a dominant role in all work, and to strive to maintain a sustained and stable development of the entire national economy. The state budget for 1988 is worked out in line with this principle. We will make continued efforts to launch the campaign to increase production, practice economy, raise revenues, and reduce expenditures, strive for better economic results, develop and open up new financial resources, and make sure financial revenues increase steadily; we will tighten financial and credit control, effectively reduce and control financial expenditures, ensure there are both flexibility and tightening and both guarantees and restrictions, and continue to curtail some excessively high spending and expenses; we will continue to improve the living standards of urban and rural population on the basis of developed production and improved productivity; and we will confine financial deficits to the limits set by the budget through the improvement of macroeconomic control and tightening of financial management.

The draft state budget, being submitted for your deliberation, projects the country's total state revenues at 255.45 billion yuan and total state expenditures at 263.45 billion yuan, leaving a deficit of 8 billion yuan.

Of the above-mentioned total state revenues, the financial revenues from domestic receipts account for 242.65 billion yuan and foreign loans for 12.8 billion yuan. The basic breakdown of domestic receipts is as follows: receipts from taxes are 233.434 billion yuan; from enterprise, 4.57 billion yuan; from state treasury bonds, 9 billion yuan; from construction funds collected for key energy and transport projects, 18.07 billion yuan; and

income from other sources, 18.27 billion yuan. In addition, subsidies for anticipated losses of enterprises are estimated at 40.694 billion yuan, which is debt in the budget and is already deducted from projected domestic receipts.

Of the total expenditure of the 1988 state budget, 250.65 billion yuan are to be used for the arrangement of domestic funds and 12.8 billion yuan are for the arrangement of foreign loans. The following are the major arrangements for this expenditure: 63.267 billion yuan for budgeted capital construction projects, 12.208 billion yuan for transforming enterprises and tapping their potentials and for producing new products on a trial basis, 15.379 billion yuan for supporting rural productions and various agricultural undertakings, 44.676 billion yuan for developing educational and cultural undertakings and science and public health projects, 8.87 billion yuan for urban maintenance and construction, 21.526 billion yuan for national defense, 18.056 billion yuan for administrative management, 35.827 billion yuan for price subsidies, 3.507 billion yuan for payment of principal and interest on state treasury bonds, and 5.304 billion yuan for payment of principal and interest on foreign loans. Besides, there are also reserve funds totaling 2.5 billion yuan, of which 1 billion yuan are central reserve funds and 1.5 billion are local reserve funds.

In the course of drafting the 1988 state budget, the contradictions between the demand and supply of funds are comparatively sharper. On the one hand, since the economy has been further stabilized and reform has been further deepened, favorable conditions have been created for expanding financial resources and increasing income this year, but on the other, many new demands have also been put forward on state finance and some new factors for increasing expenditure and reducing income have appeared, both adding pressures to this year's financial balance. Thus, to ensure the indispensable funds for reform and the development of various construction projects and undertakings and to control financial deficits within the bearing capacity of the state, the State Council has worked out some policy measures on financial expenditure and revenue. They are also included in the state budget. The main measures are as follows:

1. To open up new tax sources, expand the issuance of bonds, and increase financial funds. To make a rational use of land in cities and towns, regulate differential incomes, and strengthen land management, it is decided that beginning this year, taxes on the use of land in cities and town will be levied on the unit and individual users. At the same time, to suit the rapid development of China's socialist commodity economy and to strengthen the management of various economic licenses, it is decided that stamp duty will begin to be levied on some economic licenses. But since they are new taxes which are to be levied later, it is expected that the income therefrom will not be high this year. In view of the fact

that explorations have yet to be made in levying the two new taxes, it is decided that some provisional regulations or tentative methods will be promulgated by the State Council for this work before relevant laws are worked out later when conditions are ripe, which will be submitted to the NPC Standing Committee for examination and approval.

To appropriately concentrate various financial resources on the construction of socialist modernization, some 9 billion yuan of state treasury bonds will be issued this year, 3 billion yuan more than in last year. The method of issuance will also be improved. The time limit for payment of principal and interest will be shortened from the originally 5 years to 3, and the actual interest rate will be increased. The state treasury bonds will also be allowed to enter into circulation and be bought and sold in the financial market and to be discounted in bank from the second year after their issuance. Thus, things will become convenient for the masses in purchasing state bonds, which will certainly be welcomed. Moreover, in order to stabilize the economy and control the scope of extra-state-budget capital construction projects, it is also decided that various professional banks and financial institutions use this year's increased part of savings deposits to buy 4 billion yuan of special bonds, which will be used to promote production and construction. The issuance of state treasury bonds and special bonds is undoubtedly a kind of debt of the state. Both the principal and interest will be paid in the future. However, through this issuance, the idle funds of society will be collected and some consumption funds will be turned into accumulation funds. This is not only conducive to making up financial deficiencies and speeding up construction of the four modernizations, but is also conducive to strengthening control over monetary issue. It is a common practice of many countries at present, which can be taken as our reference.

2. To increase agricultural input and promote the development of agricultural production. In this year's state budget, a total of 15.379 billion yuan will be used for supporting rural productions and various agricultural undertakings, which is an increase of 14.6 percent over last year. Bank credit to agriculture will rise 10.3 percent and reach 23.7 billion yuan. Moreover, both the central and local finances will also provide a total of 2.6 billion yuan for poor areas to promote agricultural production. To ensure the sources of funds for agricultural production, it is decided that beginning this year, all the income from the levy of tax on the use of cultivated land in rural areas, which was originally under the state's unified arrangement, will be used to support agricultural production. Of this, 2 billion yuan, which will be budgeted by the state, has been included in relevant items of the state budget. The part to be locally budgeted has not been included in the state budget, but it will also be controlled as a special fund for supporting agriculture and be totally used in agricultural production. The governments at all levels are required to strengthen management over the levy of this tax and the distribution of funds in this

respect so that better results can be achieved. At the same time, to increase the supply of grain, meat, sugar, and other major agricultural and sideline products and mobilize the initiative of the peasants in production, it is decided to appropriately increase the procurement prices of wheat, rape seed, northern rice, and southern corns on the premise that the procurement prices of agricultural and sideline products are kept basically stable, to give extra-price subsidies for sugar crops, and to allot 6 billion jin of fair-priced fodder grains to the peasants for pig raising. In order to implement these measures, some 2.46 billion yuan are needed for price subsidies, which are already included in the budget.

3. To establish a system of capital construction fund so that the key construction projects of the state can be guaranteed. In this year's state budget, 63.267 billion yuan will be used on capital construction, which is an increase of 3.4 percent over last year. Of this, the domestic funds to be used on capital construction is 50.467 billion yuan, down 0.9 percent; and the foreign loans to be used for the same purpose is 12.8 billion yuan, up 24.3 percent. To ensure a stable source of funds for the construction of energy, communications, telecommunications, raw materials, and other major projects and basic facilities and increase returns from the use of funds, it is decided that beginning this year, reform of the capital construction investment structure will be carried out and a central system of capital construction fund will be established, which will be under the management of the People's Construction Bank of China according to plan. According to this year's state budget, a total of 30.445 billion yuan of domestic funds for capital construction will be under the direct arrangement of the central finance. That is to say, this sum of money will be taken as the base of central capital construction fund, and certain incomes from the budgeted revenue of central finance will be taken as the fixed sources of the fund to replace that base. There will be a gap of 8.088 billion yuan, which will be allotted by financial appropriation from the central authorities according to the set quotas. Thus, with the increase in those incomes from the budgeted revenue year by year, the sources of the capital construction fund will also increase accordingly. The capital construction fund will be considered as special funds for special uses and will be included in the revenues and expenditures of the state budget. In the future, the investment in the state-budgeted capital construction projects and the interest paid in the form of deduction on bank loans for capital construction, including both productive and non-productive projects, will be arranged by using the fund in an overall manner. Moreover, in order to speed up the development of the power industry and ensure a stable increase in the investment in this industry, beginning this year, various provinces, autonomous regions, and municipalities will make a levy of 2 fen on every kWh of electricity used by enterprises, and the funds thus collected will be used specially for power construction and be managed outside the state budget. No extra levies will be made in those areas where this levy is already being

made on the approval of the state; as for those areas where charges are being collected according to their own decisions, they should act in accordance with the State Council's unified regulations. It is estimated that after adopting this measure, the cost of electric power consumption enterprises will be increased, which will bring about a reduction of 2.5 billion yuan in financial revenue.

4. To appropriately increase the investment in the development of intellectual resources so that the indispensable expenses for the development of cultural, educational, and science undertakings and public health can be ensured. There has been a rapid increase in the expenses for the development of China's cultural, educational, and science undertakings and public health over the past few years. During the Sixth 5-Year Plan, the average annual increase rate was 15.2 percent, and it rose to 20 percent in 1986. Last year, under the situation that various financial expenditures were reduced by a big margin, this expenditure still rose 6.7 percent, higher than the growth rates of both the financial revenue and expenditure of the same period. This shows that the Central Government and the local governments at all levels have attached great importance to the investment in the development of intellectual resources and the development of these undertakings. This year, a total of 44.676 billion yuan will be used for the development of cultural, educational, and science undertakings and public health, which is an increase of 10.2 percent over last year, of which, 25.39 billion yuan will be used for the development of education, up 12.2 percent. They are both higher than the growth rates of the domestic financial revenue and expenditure. Under the current situation that the state is still faced with great financial difficulties and the growth in financial revenue is still quite limited, this budget shows that the state has made great efforts to promote the development of cultural, education, and science undertakings and public health. Of course, compared with the demands of the development of these undertakings, these funds are still not enough. To further mobilize the initiative of the cultural and educational undertakings and other institutions in the efforts to increase income and cut down expenses, the state will further improve the method of contracting budgeted funds and encourage relevant units to increase income and increase their own development funds by providing more paid services.

5. To appropriately increase the workers' income and improve their livelihood. To further mobilize the initiative of the workers and solve their difficulties in daily life caused by the price rise, it is necessary to adopt necessary measures in light of the real financial strength of our country to appropriately increase the workers' income. First, since the fourth quarter of last year, the wages of secondary and primary school teachers have been raised. At the same time, the work of defining the titles of technical and professional posts of teachers and appointing them to suitable posts has been carried out. Last year, we only had to pay the additional wages for a quarter of

the year, but this year, we will have to pay for all the four quarters. This has already been included in the state budget. Second, beginning this year, it is necessary to increase bonus payments for administrative units and institutions and set a higher limit for the exemption of taxes on the bonuses of enterprises and on wage readjustment so that the workers' income can be appropriately increased. Third, appropriate subsidies for the major foodstuffs under rationing should be given to the workers in light of the different situations of price rises. In order to implement the above-mentioned measures, the state will have to spend about 7 billion yuan.

6. To adopt a policy of retrenchment and strictly control various expenditures. Last year, the expenditures in various fields were reduced, and the trend of rapid increase in expenditure was controlled to a certain extent. The achievements were notable. However, the general scope of financial expenditure was still too large, exceeding the bearing capacity of the state finance. Therefore, the State Council decided that this year, the financial allocations for capital construction projects and expenses for various undertakings should be lower than or generally the same as last year's level, except for the workers' wages (bonuses), price subsidies, the payment of the principal and interest on both domestic and foreign loans, and the funds for the development of certain important undertakings, which should be appropriately increased. This year, the investment in capital construction, which is directly arranged by the central financial departments with domestic funds, has already been reduced. It is necessary to exercise a more strict control over the capital construction investment in the form of funds collected by localities. According to this year's budget, 7.8 billion yuan will be used as reserve funds for such local capital construction investment. But last year, the state budget for this investment was over spent by 2.3 billion yuan. This sum should be deducted from this year's budget. Thus, the sum to be used as reserve funds for this year's local capital construction investment will only be 5.5 billion yuan. The funds for administrative organs (not including public security organs, procuratorial organs, and people's courts) are 12.84 billion yuan this year, a decrease of 2.2 percent over last year. To exercise strict control over the expenditures in these two fields, the state will issue some special norms for various localities and departments, and the latter should carry out control according to the set norms.

Fellow deputies: The 1988 draft state budget has been worked out through repeated calculations and revisions. Although we have made a higher estimate of income and a tightened arrangement of expenditures, there will still be a deficit of 8 billion yuan. Why are we still unable to cut down the deficit this year? The main reason is that the notable increase in economic returns will take quite a period of time. In terms of financial revenue, various favorable factors have already been taken into consideration, and it is difficult for us to find more. But the state will have to put large sums of money into agricultural production, the construction of key projects, and the development of intellectual resources. Moreover, reform of the economic structure and the improvement of the

people's livelihood also need the state's financial support, and the running expenses cannot be over-reduced. Thus, it is still difficult for us to eliminate the deficit this year. When carrying out the 1988 state budget, we will do our best to open up new financial resources, increase revenue and control expenditure, strengthen financial management, and enforce discipline so that the financial deficit can be controlled within the range as budgeted.

III. Fight for the Fulfillment of 1988 State Budget [subhead]

To ensure that the 1988 state budget is successfully fulfilled, we must continue to carry out the movement of increasing production and practicing economy and increasing income and cutting down expenses on the basis of raising consciousness and unifying thinking and closely relate it to the deepening of reforms, so that greater achievements can be made.

1. Attain better economic results from enterprises and ensure the steady growth of revenue through the drive to increase production and practice economy and increase income and reduce expenditure. The steady growth of this year's revenue and the balance of state's budget depend to a great extent on the depth and breadth of the drive to increase production and practice economy and increase income and reduce expenditure. All localities, departments, and units should foster the idea of plain living, hard struggle, and building up the country with industry and thrift and eliminate the bad habits of going in for ostentation and extravagance. Focused on achieving better economic results and perfecting the enterprise contracted management responsibility system, all state-owned enterprises should implement the system of the factory director (manager) assuming sole responsibility, vigorously introduce the competition mechanism, perfect the economic accounting system, popularize the "full load work method," strengthen and improve democratic management, optimize labor combination, and try by every means to increase enterprise efficiency. We should increase the output of marketable goods, readjust the product mix, improve quality, reduce material consumption, tap latent potentials, and ensure that our work efficiency is reflected in the increase in revenue. This year the state requests industrial enterprises to reduce the costs of their comparable products by 1 percent, enterprises and workshops to cut their management charges by 10 percent, industrial enterprises to reduce their deficits by 20 percent, the commercial enterprises to reduce their circulating charges by 1.2 percent and their deficits by 20 percent, and the industrial and commercial enterprises to increase the turnover of their circulating capital by 3 percent. All localities and departments should assign these quotas to enterprises, workshops, groups, and individuals. When the quotas are assigned, we should strengthen assessment, frequently exercise supervision, and take strict precautions against doing things perfunctorily. While carrying out the drive to increase production and practice economy and increase income and reduce expenditure, the financial

and taxation departments at all levels should strengthen the taxation forces and ensure that all tax payments are collected. Enterprises should abide by the "Regulations on Cost Management," "Accounting Law," and relevant state laws and decrees, accurately submit the figures of their production, sales, costs, and profits, and turn their taxes and other payments over to the state according to law.

2. Cut the expenses in all fields, curtail purchases by social groups, and keep expenditure within the scope of the state's financial capacity. While making efforts to attain better economic results and increase revenue, it is necessary to continue to reduce expenditure and keep it under control. Investment in capital construction with funds raised by the localities and the administrative management expenses of various levels should not exceed the limit and should be kept under control according to the state budget. If the investment in capital construction with funds raised by local finance exceeds the quotas prescribed by the state budget, there will be no expenditure for that year and the quotas from the following year will be deducted. Administrative management charges should be controlled and readjusted in connection with structural reform. The size of staff and outlay should be redetermined and the method of contracting administrative charges should be further perfected. We should uphold the seriousness of the state budget. Once the state budget is approved through examination, neither the central and locality should ever set a precedent of decreasing income and increasing expenditure or try to make additional expenditures at their will.

Curtailing the purchases by social groups is the focus of this year's work to reduce expenditure. Purchases by social groups have increased rapidly over the years. The total figure reached 55.3 billion yuan last year, an annual average increase of 21.2 percent from 1983 to 1987. Besides aggravating the contradiction between supply and demand and stimulating price hikes, the sharp increase in purchases by social groups is also disadvantageous to putting an end to social malpractices. For this reason, the State Council issued an "Emergency Circular on Exercising Control over Purchases by Social Groups and Curtailing Expenses" on 23 February, calling on all units to curtail their group purchases by 20 percent (on the basis of their 1987 actual expenses). This target should be assigned to each level and the limit should not be exceeded. All localities and departments should exercise leadership over the work and strengthen the forces responsible for exercising control over group purchases so as to ensure the fulfillment of the task of curtailing expenditure.

3. Further promote financial and taxation reform, correctly handle the relations of distribution between the state and enterprises and between the central and locality, and arouse the enthusiasm for increasing income and reducing expenditure. In accordance with the principle

of "coordination, perfection, deepening, and development," the financial and taxation departments at all levels, in collaboration with relevant departments, should further deepen the reform of the enterprise operation mechanism focused on the contracted management responsibility system so that enterprises will gradually take the road of independent operation and assuming sole responsibility for their profit and loss through market competition. Meanwhile, to create an external environment for enterprises to carry out competition on an equal basis, we will perfect the taxation system by summing up the experience of the substitution of tax payments for profit delivery and the contracted management responsibility system and readjusting the income and regulatory taxes of state-owned enterprises. To meet the new situation of reform of enterprise operation mechanism, it is necessary to work out financial and accounting regulations for contract, leased, and shareholding enterprises. On the basis of defining the duties and in accordance with the principle of unified leadership and decentralized management, we will gradually establish a financial management system based on the taxation. Prior to the establishment of this system, a dozen local taxes in which tax sources are relatively decentralized will be delegated to the localities for management commencing this year. In the future the localities may retain and use the increased portion. Meanwhile, various forms of contract should be adopted and implemented as quickly as possible in the localities where a great proportion of their income is turned over to the state so as to further arouse the enthusiasm of these localities and concentrate forces to ensure revenue. To support the coastal areas in developing an export-oriented economy, it is necessary to revise the rules and regulations not corresponding to the development of this strategy. On the basis of summing up the experience of the unemployment system and retirement system implemented in state-owned enterprises, we should gradually reform the social insurance system. Moreover, the financial departments should well reform of the foreign trade system, financial system, urban housing, investment in capital construction, and materials supply in cooperation with relevant departments.

4. Strengthen financial management and supervision, enforce financial discipline, and plug up all loopholes. Viewed from last year's general inspection of tax revenue, finance, and prices and the implementation of the State Council's "Decision on Enforcing Taxation Law and Strengthening Taxation Work," tax evasion, retention of profits which ought to be turned over to the state, false reports on deficits, and reckless issue of bonuses and subsidies reached a grave extent in some localities, departments, and units. Some even went so far as to abuse power to seek personal gain, extort money in disguised form, and falsify accounting. Besides a loss of revenue and a waste of expenditure, these mistakes and violations of law and discipline have undermined the party's principles and policies, hindered the progress of reform and construction, and encroached upon the fundamental interests of the people. The State Council has

adopted various measures and is determined to apply economic, administrative, and legal means to curb and correct these malpractices and violations of law and discipline. All localities and departments should attach great importance to this question, resolutely implement the stipulations of the State Council, and strictly abide by the law and punish those who dare to violate the law. It is necessary to continue to strengthen education in ideology, law, and discipline among the broad ranks of cadres so that they can consciously adhere to the basic principles of socialism, abide by the law and discipline, be honest in performing their official duties, play an exemplary role, and set a fine example. Under the leadership of the party and government, the financial, taxation, auditing, banking, pricing, and industrial and commercial administrative departments at all levels should further perform their functions, earnestly strengthen supervisory work, resolutely fight against violations of law and discipline, and overcome weak and incompetent practices. The general inspection of tax revenue, finance, and prices will continue this year. We should combine year-end with regular inspection, earnestly conduct the work in this regard, and strive to discover the problems as quickly as possible. Regarding the serious problems discovered in the inspection, the leading cadres and relevant personnel of the unit should bear the responsibility and be sternly punished according to law.

Fellow delegates, with the concerted efforts of various fields and on the basis of the sustained development of the national economy, revenue in January and February this year has increased and expenditure is under control compared with the same period last year. The implementation of the state budget is good on the whole. We will pay close attention to the work in all fields, continue to maintain this favorable trend, and make efforts to successfully fulfill the state budget for 1988.

Wu Xueqian Gets Special Tourism Responsibility
*OW190629 Beijing XINHUA in English 1610 GMT
16 Apr 88*

[Text] Beijing, April 16 (XINHUA) — The tourism sector is to undergo some fundamental changes this year, according to a leading official in the National Tourism Administration.

Construction of joint venture hotels will be limited, the contract responsibility system will be introduced throughout the sector, hotels serving overseas tourists will be given grades and an all-out effort to improve quality will be launched.

These were some of the initiatives announced by Han Kehua, director general of the National Tourism Administration, at a national meeting of the heads of tourism bureaus which opened today.

The meeting also learned that Wu Xueqian, one of the new vice-premiers, will have special responsibility for tourism. He will take over the responsibilities from Gu Mu, a former state councillor who is now a vice-chairman of the National Committee of the Chinese People's Political Consultative Conference of China.

Han said that special attention will be given to improving the quality of food for tourists, the competence of interpreters and safety. Profit levels of hotels in China should not exceed those of hotels in Hong Kong, Macao and Southeast Asia.

Construction of joint venture hotels will no longer be approved in busy tourist centers with the exception of Hainan Island, Han said.

Similarly, Sino-foreign joint venture hotels and cooperative hotels already operating in main tourist cities will no longer invite new foreign hotel management groups to cooperate with them. But franchise hotels will be allowed if necessary, Han said.

Han said the contract responsibility system is being introduced to make tourism enterprises operate independently and to be responsible for their own profits and losses. This will aim to improve the management and the quality of their services.

"Travel agencies, hotels, coach and boat companies and tourism service companies should work out their own ways of contracting according to their own conditions. And once the contract is confirmed, it should be strictly implemented," Han said.

The implementation of the contract system will begin with a small number of enterprises but will extend to others later, Han said.

According to preliminary figures, 7.43 million overseas tourists came to China in the first quarter of this year, an increase of more than one-fifth on the same period last year. Of these, 915,000 were part of organized tours, a 30 percent rise.

Li Peng Government Work Report Published, On Sale
*OW190440 Beijing XINHUA Domestic Service
in Chinese 1442 GMT 18 Apr 88*

[Text] Beijing, 18 Apr (XINHUA) — Acting Premier Li Peng's "Government Work Report" delivered on 25 March 1988 at the Seventh NPC has been published by the People's Publishing House as a separate edition and will be distributed by the Xinhua bookstores in Beijing and other parts of the country for sale from 19 April.

Other books such as the "Documents of the First Session of the Seventh National People's Congress", the "Documents of the First Session of the Seventh National

CPPCC Committee," and the "Constitution of the People's Republic of China" with "Revisions of the Constitution of the People's Republic of China" will be published by the People's Publishing House in the near future.

Foreign Officials Greet Newly Elected Leaders
*HK190303 Beijing RENMIN RIBAO in Chinese
12 Apr 88 p 6*

[XINHUA report: "Leaders of Some Foreign Countries Greet Our Country's Newly-Elected Leaders"]

[Text] Beijing, 11 Apr (XINHUA)—The leaders of some foreign countries have sent messages of congratulation to Chinese leaders elected at the First Session of the Seventh NPC and the First Session of the Seventh CPPCC.

Nicolae Ceausescu, Secretary General of the Romanian Communist Party and President of the Socialist Republic of Romania, and Mohammad Ziaul Haq, President of the Islamic Republic of Pakistan, have sent messages of congratulation to State President Yang Shangkun and Central Military Commission Chairman Deng Xiaoping.

Those sending messages of congratulation to President Yang Shangkun also include: Haydar Abu Bakr al-Attas, Chairman of the Supreme People's Council's Presidium of the People's Democratic Republic of Yemen; El Hadj Omar Bongo, President of the Gabonese Republic; Ramaswamy Iyer Venkataraman, President of the Republic of India; I. Husayn, King of Jordan; Colonel Maaouiya Ould Sid'Ahmed Taya, Head of State of the Islamic Republic of Mauritania and Chairman of the Military Committee for National Salvation; Jambyn Batmonh, Chairman of the Presidium of the People's Great Hural of the Mongolian People's Republic; Qabus ibn Sa'id, Sultan of Oman; France Albert Rene, President of the Republic of Seychelles; Gnassingbe Eyadema, Founder and Chairman of the Rally of the Togolese People and President of the Republic; and 'Ali 'Abdallah Salih, President of the Yemen Arab Republic.

Those sending messages of congratulation to Vice President Wang Zhen include Shankar Dayal Sharma, Vice President of the Republic of India.

Those sending messages of congratulation to NPC Chairman Wan Li include: Bal Ram Jakhar, Speaker of the House of the People of the Republic of India; Jambyn Batmonh, Chairman of the Presidium of the People's Great Hural of the Mongolian People's Republic; Hamid Nasir Chattel, Speaker of the National Assembly of the Islamic Republic of Pakistan; Roman Malinowski, Speaker of the National Assembly of the Polish People's Republic; and Nicolae Giosan, Speaker of the Grand National Assembly of the Socialist Republic of Romania.

Those sending messages of congratulation to Premier Li Peng include: El Hadj Omar Bongo, President of the Gabonese Republic; Erich Honecker, General Secretary of the Socialist Unity Party of Germany Central Committee and Chairman of the State Council of the German Democratic Republic; U Maung Maung Kha, Prime Minister of the Socialist Republic of the Union of Burma; Yi Kun-mo, Premier of the Administrative Council of the Democratic People's Republic of Korea; Rajiv Gandhi, Prime Minister of the Republic of India; Mohammad Kahn Junejo, Prime Minister of the Islamic Republic of Pakistan; and Constantin Dascalescu, Prime Minister of the Socialist Republic of Romania.

Those sending messages of congratulation to CPPCC Chairman Li Xiannian include Japan's Prime Minister Noboru Takeshita.

Article Views NPC, HONGQI, Price Reform
HK151520 Hong Kong CHING PAO in Chinese
No 129, 10 Apr 88 pp 34-38

[Article by Fu Chung (0265 0022): "Old Guys of the Seventh NPC 'Exchange Positions,' and Zhao Ziyang Is Firm About Dismissing HONGQI"—first paragraph in boldface as published]

[Text] Zhao Ziyang recently issued the following instructions: 1) The publication of HONGQI should stop on 1 July of this year, and how can a decision be changed after it has been made? 2) This decision of the Political Bureau has been announced again and again; why has it not been implemented? HONGQI should be transferred to the party school by 1 July, and the name HONGQI must no longer be used. A method of "exchanging" main leadership posts has been employed at the Seventh NPC session. This is, in fact, a witty card played by Deng Xiaoping in the game of personnel arrangements during the 13th CPC National Congress. "Exchanges of positions" cannot be carried on forever. Some people predict that this might be the last exchange.

After the end of the historical 13th CPC National Congress, the focus of attention of the decisionmaking stratum shifted to the Seventh NPC session. This is because personnel arrangements, which have been discussed for 2 years, particularly at the two Beidaihe meetings before the 13th CPC National Congress, will eventually be brought to light at the Seventh NPC session. To ensure that such personnel arrangements would be followed, the 2d Plenary Session of the 13th CPC Central Committee was held before the Seventh NPC session. Zhao Ziyang made a work report to reiterate the will of the party.

Zhao Ziyang Is Resolute in Dismissing HONGQI [sub-head]

According to the original plan, HONGQI was going to be slightly degraded (from an organ governed by a minister to that administered by a vice minister) and transferred

to the senior party school during the second half of the year, and the name HONGQI would continue to be used. When the propaganda machine of the CPC was operating busily during the Second Plenary Session, the relevant departments relayed General Secretary Zhao Ziyang's instructions: 1) HONGQI should no longer be published after 1 July, and how can a decision be changed after it has been made? 2) The decision of the Political Bureau has been announced again and again; why should it not be implemented? HONGQI should be transferred to the party school by 1 July, and the name HONGQI must no longer be used.

It was reported that Zhao Ziyang issued the instructions at a recent meeting of the Secretariat. However, persons in the Editorial Department of HONGQI who thought that they were supported by an official at a higher level were dissatisfied with the instructions of the general secretary. They wrote another report to the official at the higher level. July is still 3 months away. Will Zhao Ziyang's latest instructions count? What changes will take place in the fierce battle to dismiss HONGQI? People in both official and unofficial circles have shown their concern about this. It is difficult to know what to expect in the future. But one thing is certain: At a critical juncture, Zhao Ziyang will stick to a decision and never make any concession. Zhao was elected party chief because of his achievements during his official career. This is where his charisma lies.

The Profound Significance of Deng Xiaoping's Personnel Arrangements [subhead]

Before the opening of the NPC and CPPCC sessions, the namelists of candidates for the main leading posts of the state recommended by the Second Plenary Session of the CPC were promptly revealed by the mass media. Everybody in society talked a lot about the candidates. Some people maintain that at the Seventh NPC session, most positions are reserved for the old guys. This exhibits a striking contrast with the action taken by the 13th CPC National Congress to make the decisionmaking strata of the CPC younger. Their focus of attention has been centered on the following two issues. 1) Some old political guys exchange their positions in the organs of the state power. This falls far short of the demand of the CPC to abolish life-long tenure in leading posts. 2) Yang Shangkun is a responsible person in the Army, because he is vice chairman and secretary general of the Military Commission of the CPC. They do not understand why he should take over the post of the president of the state.

Some authoritative persons here, who are experts in studying the political situation of the CPC, have expressed their divergent views. To them, the method of "exchanging" the state's leading posts at the Seventh NPC is actually a witty card played by Deng Xiaoping in the game of personnel arrangements made at the 13th CPC National Congress. This "exchanging" of posts

cannot continue forever. Some people have predicted that this might be the last exchange of posts. At the next NPC session, the old political guys of the CPC and Deng might retire together.

Deng Xiaoping has repeatedly announced that he will retire completely. The 81 year old Yang Shangkun has taken over the post of the head of state. This shows that he will not stay long in the Army. Zhao Ziyang, who was hand-picked by Deng Xiaoping, will fully take over the post of army chief. During the 1984 to 1985 period, the CPC readjusted the cadre contingent throughout the whole country for the second time. At that time, a large number of old cadres in various localities were forced to retire "without exception." In the Army, however, a great number of overage cadres still occupied leading positions at the Army, military region, and army group levels (these old boys, who were over 70, were still in charge of the work, and the situation was completely different from that in local government). Deng Xiaoping has thought deeply about and made careful plans for forcing these old guys in the Army to completely hand over their posts. In the Army, if a number of cadres who are 55 to 65 are promoted to leading posts, they might not obey Zhao. If these cadres are forced to retire, and cadres of a younger generation (mainly children of cadres) are promoted, their attitude toward Zhao might be greatly different. The fact that Yang Shangkun has taken over the post of the president of the state has clearly shown that he will retire together with Deng Xiaoping. At that time, the actual responsible person of the Army will be selected and appointed by Zhao Ziyang, who will then be chairman of the Military Commission. Deng Xiaoping is good at maintaining a balance of power in the political situation of China. His starting point is to firmly secure the post of chairman of the Military Commission for Zhao Ziyang in the future.

The Spirit of the Report Delivered by Zhao Ziyang at the Second Plenary Session [subhead]

The main content of Zhao Ziyang's Work Report delivered at the Second Plenary Session was promptly reported by newspapers. The namelist of candidates for the main leading posts of the state was not revealed. But the fact that personnel arrangements were put in the first part of the report demonstrated the authority of the CPC. It was reported that before going to Beijing to attend the NPC session, the party-member people's deputies received Zhao Ziyang's instructions issued at the second plenary session: "The party-member people's deputies must keep in line with the principles of the party. There must not be any discrepancy between the votes they cast and the decision of the party."

Although the NPC and the CPPCC changed their term of office, the method of nominating more candidates than the number to be elected was applied only to the election of members of the Standing Committees of the NPC and the CPPCC. A number of people's deputies and CPPCC members who were enthusiastic about exercising their

democratic rights were disappointed by this. It was reported that at the second plenary session, Wang Renzhi, who was the last elected member of the 13th CPC Central Committee, openly criticized the method of appointing more candidates than the number to be elected. Li Ruihuan embellished this by saying: "This method simply causes confusion." It seemed that they had powerful backing. It was also reported that after the 13th CPC National Congress, the method of nominating more candidates than the number to be elected would not be applied to elections at the highest level.

What China Lacks in Reform Is Not Boldness But Superb Skill [subhead]

In the past, the young elite showed concern for the political strength of Zhao Ziyang and Li Peng at the decisionmaking stratum of the CPC. Now they are getting less and less interested in the matter. They have also changed their view on the contradiction between the reformist and conservative forces. These are great changes that have taken place in China since the 13th CPC National Congress. This is because Zhao Ziyang's political pattern was formed after the 13th CPC National Congress, and the reforms in China have now become an uncontested fact. Reforms have been carried out in China for 10 years. The young elite believe that the contradiction is no longer reflected in the struggle between those who favor and those who oppose reform, because nobody advocates the restoration of the old system in China anymore. Nobody is able to force the 800 million peasants to return to their former production teams. Some 20 million self-employed workers in cities no longer want unemployment. In the meantime, the international situation would not permit China to go backward. We can see the matter more clearly after comparing the work report delivered by Zhao Ziyang at the second plenary Session and Li Peng's Government Work Report delivered at the Seventh NPC session.

These two reports fully set out the duties of the party and government defined by Zhao Ziyang's political report delivered at the 13th CPC National Congress. Apart from recommending main leaders of the state, Zhao Ziyang's work report contains policy decisions for the party's affairs and government work during the next stage. Just as predicted by some people after the 13th CPC National Congress, although Zhao Ziyang's focus of attention is now being shifted from the government to the party, he will never give up his leadership of the government. On the contrary, he will make use of the party to strengthen his leadership over the government. These are precisely the characteristics of the Chinese political structure. Li Peng's Government Work Report demonstrates the down-to-earth style of work of a technocrat, that is, it is a resolute implementation of party policy.

Reform is a matter of utmost importance. This is the theme of the two reports. Both Zhao Ziyang and Li Peng have touched upon the thorniest problem in China

today—the problem of commodity price. Some people have said: Some 10 years ago when the policy of contracting output quotas to households with the production team conducting unified accounting was implemented, things could be done easily as long as a county party secretary was determined and bold enough to "make a decision." However, "commodity price" is a completely different matter. China suffered a lot from "flat price" under the old system. Now that some commodity prices have been freed, more contradictions will inevitably occur. Therefore, the problem of reform in China cannot be simply solved by boldness. It is a problem that involves a complicated technique. The settlement of the problem will be determined by the "superb skill" of the decisionmaking stratum.

The Characteristics of the "Food Crisis" in China [sub-head]

Over the past 5 years, the situation of reform in China has been pretty good. According to Li Peng's Government Work Report, the average annual growth of the GNP was 11.1 percent. The annual increase of state revenue was 12.9 percent. The average annual increase of national income (after deducting the factor of price increase) was 7.3 percent. According to World Bank statistics, the above-mentioned figures show that China is among the best of the countries striving for economic development. However, in the last 2 years, commodity prices have increased too quickly. In particular, the increase in food prices has been more than 10 percent. This has adversely affected the standard of living of 15 percent of the residents of cities and towns. In certain provinces and cities where the election method of nominating more candidates than the number actually elected was adopted, some candidates promised to pay attention to the "vegetable baskets" of residents in order to win more votes. People in theoretical circles call this the "food crisis."

The food crisis is a worldwide issue. Food crises happen in developing countries in the course of modernization. When a large proportion of their resources are used for investment and accumulation, there is a strain on the supply of consumer goods. This happened in Japan and in the "four little dragons" in Asia. When the supply of food is insufficient, a coercive measure is taken to impose a restriction on it. Many countries have spent a long time on modernization and lived industriously and frugally. This is also the case with socialist countries. The per capita grain supply in the Soviet Union is 1,500 kilos. The Soviet Union is rich in natural resources. The Soviets exchange their gold, petroleum, and natural gas for a large quantity of grain and meat. Although Yugoslavia and Hungary did not develop their economies in accordance with the typical Stalinist pattern, they encountered food problems once they started structural reform. While urging all citizens to reduce their weight, the supreme authorities of Yugoslavia try in every possible way to solve the problem of the food shortage.

The food crisis in China is characterized by the following issues: 1) In bigger cities, the food problem is more acute. It is beyond the psychological endurance of city residents. Every year, the Beijing Municipality spends 2.5 billion yuan (renminbi) on food subsidies. The per capita food subsidy in Beijing is 400 yuan. However, in some counties, the per capita food subsidy for the nonagricultural population is only 40 to 50 yuan. Some counties have even gone so far as to use the funds earmarked for food subsidies to develop education or to run hospitals. What these counties did was easily approved by the county People's Congress, because most people's deputies are peasants. 2) The process of the food crisis is only a process of increase in the average consumption of food. In 1986 and 1987, the increase in the consumption of food was mainly reflected in the consumption of nonstaple food, including meat, fowl, eggs, and milk. 3) Since the reform in 1985, we have changed the purchase and marketing system of pork and vegetables (the purchase and marketing system for other nonstaple foods was changed a long time ago). The purpose in carrying out such a reform was to allow the market mechanism to enter residents' households. However, things ran counter to our desires. Residents' households are not affected by the supply system or the market mechanism. Many residents have obtained food from the organizations in which they work, on the basis of purchase and supply. This phenomenon is called "economy of the courtyard". When a person buys things from an organization in which he works, the price may be higher than the official price. But it might be lower than the price in a country market or a state-owned shop that sells goods at negotiable prices. This has caused an unhealthy trend of "rushing to purchase even those things that are not truly needed for fear of suffering losses" among residents. When the price of pork was still 1.4 yuan per jin, a certain demobilized soldier sometimes bought pork from shops. Now the price of pork has been increased and restrictions have been imposed on the pork supply. But he buys more pork from the "courtyard." During the spring festivals of 1986, 1987, and 1988, various big cities and units vied with one another to procure special goods for the festival. As revealed by newspapers in Beijing, various department stores procured a large quantity of refrigerators, and it became a problem to store them. According to statistics revealed by the State Statistics Bureau, the amount of special goods for the festival sold to Shanghai residents at lower prices accounted for 70 percent of the total supply of special goods. The price was 30 percent lower than the market price. In Dalian, 53 percent of the special goods for the festival were sold at prices that were 50 percent lower than the market prices. Although the state is hard up, the practice of extravagant eating and drinking at public expense never stops. This is the thing that dissatisfies the common people the most. According to statistics, every year the Ministry of Finance allocates 30 billion yuan for entertainment expenses [as published]. According to statistics issued in 1987, educational funds for 1983 came to only 15 billion yuan. Relationships based on

extravagant eating and drinking have become institutionalized in China to a certain extent. In a factory, 1.5 percent of its turnover is earmarked for the factory manager's funds, which are used for giving dinners and sending gifts. A handicraft factory in Beijing had to sell its substandard products because its factory manager's funds were not enough to cover the expenses of giving dinners for and sending gifts to officials in charge of foreign trade.

Zhao Ziyang pointed out: "The key to solving the problem of food prices lies in developing agricultural production and in increasing the supply of agricultural and sideline products." People in the field of economics do not think highly of this idea. According to their view, it is not an excellent antidote to the food crisis.

The Issue of Food Is a New Problem Occurring in the New Period [subhead]

In 1978, some 100 million people in China lived under the poverty line. Since the rural reform and the implementation of the system of contracted household responsibility related to output in 1979, in addition to a high increase in the purchase price of agricultural products, the agricultural output increased continuously between 1980 and 1984. The per capital income of peasants increased 67.5 percent in a period of 6 years. People in the field of economics attributed this hypergrowth to the exploitation of the two great potentials under the existing system—the potential of production increase and the potential of the vast domestic market. Following the increase in the production of cotton and oil crops in 1982, grain output increased 60 billion jin in 1983. At that time there was a shortage of granaries to store grain. In 1984, China's grain output increased again by another 40 billion jin. A national conference of directors of grain bureaus held that year received many letters of resignation. This was because the grain at various grain stations was stacked in the open air. Fire brigades said they could do nothing during a fire because the roads leading to the grain stations were blocked by hills of grain. A measure was implemented in 1985 to reduce grain production; the state limited its grain purchases. In 1985, the contracted price for purchasing grain was changed. The system of contracting purchase quotas to peasants was changed into a system of contract purchase by order. These two mistakes dampened the enthusiasm of grain-producing provinces and of peasants engaged in grain production. As a result, grain output dropped 60 billion jin. However, no grain crisis occurred throughout the country. The present situation is completely different from that of 1959, when tens of millions of people died of starvation for several years running. According to people in the economics field, the food shortage in China over the past 2 years is not owing to the defects in China's production mechanisms. It is because of the defects in the existing system, which involves some fairly complicated issues such as price mechanism, welfare services, and so on. If our focus of attention is centered on production alone, the actual facts will be covered up.

People in the field of economics also maintain that the sustained growth of grain production during the period from 1979 to 1984 has enabled China to basically solve the problem of providing people with sufficient food and clothing, and that China's economic reform has entered a stage of growth and needs a new pattern for economic development. Some people compare a country that has attained the GNP level of \$200 to \$300 to a person reaching puberty. He can support himself and may have some savings. These savings are fairly attractive. There is a common saying: "When a poor person gets a piece of cloth at midnight, he does not know what to do." China is now extremely busy with its own domestic affairs. A series of problems involving institutional and social structure, which could be avoided in the past, have occurred again. Whether China faces them squarely or not will have a direct bearing on the continuation of the reform in the country.

The Common People Are Dissatisfied With the Present Reality of Linking Welfare With Power [subhead]

Zhao Ziyang has worked out two principles with regard to price reform and price increases. 1) Measures must be taken to readjust irrational prices so that the rise and fall of commodity prices will be beneficial to the rationalization of the production setup and the product mix. Measures must also be taken to resolutely stop the practice of increasing commodity prices arbitrarily. 2) When the price of staple foods increases, appropriate subsidies must be given to workers and staff members.

To deal with the problem of poverty, the West adopts the method of providing relief, whereas China employs the method of providing subsidies. However, under the present-day situation in China, the method of providing subsidies is more of a hindrance than a help, because welfare is already linked with power. Those who are well-off and those who have power in their hands enjoy more welfare services. When commodity prices are further freed, the state has to provide more subsidies. The common people have many complaints about this. The subsidies they get mean nothing when compared with the rapid increase in commodity prices. Those who benefit greatly in food supply and housing are high-ranking officials, cadres of big units and big institutions, and so on. Therefore, in some cities where a method of nominating more candidates than the actual number elected is employed in the election of mayor and vice mayors, the incumbent mayor or vice mayors who were in charge of housing matters very often are not elected. Some men of insight have proposed the idea of linking the reform of the pricing structure with the reform of the welfare system, because the existing welfare system fails to guarantee the basic needs of the people, but benefits those who are comparatively well-off.

A group of young scholars maintains that people should have a new understanding of the Chinese social structure with the occurrence of food crises and price hikes in 1986 and 1987. The reform of the pricing structure is not

supported by just city residents, but also by peasants. Peasants wrote the following antithetical couplet: "I sell less grain when its price drops; I buy less chemical fertilizer when its price soars." The horizontal inscription reads: "The government understands us." Some people say: "State-operated commerce is the greatest troublemaker in the market." After the controls on country markets were relaxed, the sales volume of meat and vegetables of the state-operated shops dropped 50 percent. Although they can no longer monopolize the market, their number is not reduced and bonuses for their staff members continue to increase. Newspapers in Beijing recently reported poor business operations by two state-operated shops in the city. Due to carelessness, a cart of hyacinth beans of one of the shops got rotten, whereas the other shop had to dispose of a cart of rotten cucumbers. However, the salesclerks of the two shops still got monthly bonuses of 60 yuan. These two shops got the money by increasing prices to shift the burden onto the consumers.

At the Beidaihe meeting last year, Zhao Ziyang proposed the idea of designing a diet pattern for the Chinese, and the idea was welcomed by people in theoretical circles. In March, RENMIN RIBAO reported research achievements in diet reform. Diet reform is the thorniest issue in urban and rural reform, because it involves considerable risk.

Streamlining Capital Construction Is Not the Best Policy [subhead]

A number of Chinese economists maintain that over the past 2 years, prices of all products soared because of price increases of agricultural and sideline products and the shortage of raw and processed materials. To solve this problem, China has adopted a policy of reducing investment in capital construction, but these economists do not believe that this is the best policy.

Many capital construction projects will, in the long run, rationalize China's production setup. Therefore, it is necessary to make some investments in long-term projects involving basic facilities. Otherwise, when raw and processed materials are in short supply, their prices will increase. This will, in turn, increase the prices of other products, and the rise in product prices will further boost the prices of raw and processed materials. Such chain reaction is beyond the control of market regulation. For example, the problems of electric supply, railways, and industrial chemicals cannot be solved in a short time. They can be solved only by relying on the large-scale construction projects of the state. There are two kinds of capital construction projects. The first kind involves the building of luxurious hotels, halls, guesthouses, and so on. The second kind is aimed at promoting production, and these construction projects must not be abandoned. Otherwise, the problem of the shortage in raw and processed materials will remain unsolved forever. Raw and processed materials that China is now using are the result of investments made in the previous 5-year

plan periods. At that time, some people thought the investments were too large. These raw and processed materials will soon be in short supply. While streamlining its capital construction projects, China has actually abandoned projects that are aimed at promoting production, but no one opposes this practice. Although the Chinese press has criticized the practice of building luxurious hotels, halls, guesthouses, and so on, they are continuing to be built one after another, because some officials have done everything possible to support these projects.

A young scholar clearly pointed out: "We will benefit from the capital construction projects currently in progress in 15 years. If a project is abandoned during the Seventh 5-Year Plan, but started again during the Eighth 5-Year Plan, the benefit we derive from it will be delayed another 5 years."

With regard to the issue of speeding up economic development in the coastal areas, Zhao Ziyang pointed out in the report he delivered at the second plenary session: This is not only a regional, but also a national strategy. When delegates from various provinces discussed the strategy at the Seventh NPC, they believed that it would arouse the enthusiasm of various provinces and cities. A delegate from Liaoning stressed equal opportunity for competition and development. The mayor of Shenyang stated more specifically: If Shenyang is allowed to retain 50 percent of its foreign exchange, its economic growth rate will be greater and faster than the present.

Reform in Institutions Under the State Council Is Only a Minor Operation [subhead]

Judging from Song Ping's report to the Seventh NPC on the reform in institutions under the State Council, we know that the present plan is more conservative than the previous one. The number of institutions that will be abolished or reorganized is limited. In the meantime, these institutions are mostly economic institutions. The State Council itself says: "It is not a major operation, but a minor one."

Adopting this prudent method of a "minor operation" has shown that after the 13th National CPC Congress, reform will further touch upon the interests of various quarters. Selection of cadres and the change in the leadership system and so on will inevitably touch upon the interests of various quarters, including the interests of the party. However, it seems that the decisionmaking stratum of the CPC still lacks the capability to balance the interests of various quarters. Therefore, it cannot solve all problems at the same time.

Both Zhao Ziyang and Li Peng have stressed that while carrying out institutional reform, emphasis must be placed on "changing the functions and duties of the institutions and delegating their powers." This emphasis is of great significance. In the past, those large state-operated enterprises were controlled by the state through

unified planning. Now they are locally run on the basis of contract. In the past, they turned their profits over to the state in a unified way, and the money they needed was allocated by the state. They totally relied on the state. Now, apart from relying on themselves, they must pay the debts owed by the central government. Therefore, the power of the local enterprises has been strengthened very rapidly. In the meantime, they will increasingly be at odds with the central government. Some people say: "In the past, a son complained about his mother. In the future, a dispute might occur among brothers"

Reform in the Army Should Be Sped Up [subhead]

On the eve of the Seventh NPC, the Military Commission held a cadre meeting of the whole Army. Efforts are being made to make preparations for the journalists work meeting of the whole Army, and an enlarged meeting of the Military Commission. The Army has recently worked out "Rules and Regulations Governing the Service of Officers," "Rules and Regulations Governing Military Ranks of Officers," and "Rules and Regulations Governing the Placement of Military Cadres Transferred to Civilian Work." Although Deng Xiaoping repeatedly stressed that "the Army should exercise patience," it seems that under the attack of various groups in society and interest groups, people in the Army are in a state of anxiety. Since taking over the post of director of the General Political Department, Yang Baibing has been praised for his "bold and vigorous efforts to fully promote reform in the Army." He has urged the whole Army to read and conscientiously consider a report on a case in the Shenyang Military Region involving a junior cadre bringing "his own salary" with him to join the Army. He stressed that vigorous action must be taken in the reform of the Army. It has been reported that Yang Baibing has made three proposals on the placement military officers. These proposals were presented to relevant departments for discussion. The main content of these three proposals, which are aimed at reassuring soldiers and officers, included:

1) When an officer is transferred to civilian work, his job arrangement will not be made in accordance with his position in the Army. Military severance pay will increase several fold, so that a demobilized cadre can generally support himself by relying on the interest of his bank deposits.

2) Demobilized military officers are allowed to seek jobs by relying on their own efforts, and the Army will provide them with life insurance.

3) A professional servicemen's system will be implemented. Officers enlist in the Army for a fixed number of years. After they retire from military service, the Army will fully guarantee their livelihood.

The Purpose in Announcing the End of the Trial of the Two Cases [subhead]

It has been 8 years since the start of the trial of the cases of Lin Biao and the "gang of four." On the eve of the Seventh NPC, the CPC Central Committee issued Document No 2 of 1988, announcing the end of the work of trying the "two cases." Most working personnel engaged in the work of investigating the cases have been dismissed, and only a very small number of persons have been retained to wind up the work. The relevant materials have been transferred to the State Bureau of Archives. According to the document, 210,000 persons are involved in the case, and some 2,000 persons have been sentenced to imprisonment. Some 4,000 cadres at the division level, and some 800 senior cadres at the army level have been implicated in the two cases. Some people say that although Document No 2 announces to the whole party the result of trying the two cases, its real purpose is to warn those who hatch a sinister plot to try and reverse the verdict.

It has been learned that after the trial of the "two cases," some senior cadres inside the party and the Army aired their divergent views. Some said: "Huang [Yongsheng], Wu [Faxian], Li [Zuopeng], and Qiu [Huizuo] must be rehabilitated. If we do not do it now, some people will do it." At the Beidaihe meeting last year, some people put forward the same view.

Zeng Tao, a spokesman of the Seventh NPC, answered reporters' questions on the cases of Huang, Wu, Li and Qiu, conveying the position of the CPC authorities.

Commentary Encourages Vigilance Against Fraud *OW190442 Beijing XINHUA Domestic Service in Chinese 0002 GMT 17 Apr 88*

[Commentary by XINHUA reporter Jin Shangnong: "How Much 'Gratis' Consumption Funds Were Authorized"]

[Text] Beijing, 17 Apr (XINHUA)—Issuance of individual consumption funds that are out of control, like inflated institutional purchases, has become a glaring problem blocking China's normal economic operations. Aside from wage increases as the result of expanded production and bonuses and subsidies issued according to state regulation, a vast sum of production funds and state and collective financial resources were illegally channeled to individuals. To them, such funds not covered by state plans were just 'gratis.' Through what channels were the funds turned to individual consumption? They can be roughly summarized as the following:

1. Issuance of bonuses through fraudulent practices: Some contracted enterprises or those linking their economic performance to total payroll magically turned deficit into profit or inflated their profit by listing less cost and omitting depreciation, thus drawing more money than they should for wages and bonuses. A certain supply and marketing cooperative, despite a 48,000-yuan deficit, reported a fake profit of 393,000 yuan last year thereby drawing 66,000 yuan in bonuses.

2. The whirling wind of rebate: In the past, rebates were made in underground transactions. Today, some factories and stores put up notices clearly stating the amount of rebates. A sales clerk at a Hubei plant said openly: "Whoever buys a furnace from me will receive a 3,000-yuan rebate." A store in Beijing put up a notice saying: We will give a 500-yuan gift coupon to any customer who purchases 10,000 yuan worth of goods at the store. The purchase is made with public funds but the rebate goes to individual wallets.

3. Escalation of gift-giving: Gift-giving at conferences or celebrations in some localities has become more and more extravagant, escalating from key chains and ball-point pens to quartz clocks, expensive cloth, big suitcases, and even cassette recorders and cameras. "These days, small gifts are not presentable," deplored an individual involved in gift-giving.

4. Issuance of subsidies in kind without scruple: Using public funds for the "welfare" of workers and staff members of each unit has become a widespread practice. During the Spring Festival this year, commerce departments in Beijing, anticipating great demand for nonstaple foods due to limited supplies, overstocked the warehouses because most units issued Spring Festival special goods to their workers and staff members. A large enterprise in Beijing gave its workers and staff members everything from chickens, ducks, fish, meat, and shrimp to edible oil, rice, peanuts, chestnuts, and red dates with only a token amount of money. This is practiced not only at festivals but also at other times. With about 100 yuan, each worker and staff member of a central foreign trade unit received a total of 29 different subsidies worth nearly 2,000 yuan in the 4 months from last October to January.

5. Fraudulent appropriation of public property for private use: Some units tried by hook and crook to seek private gain at public expense. Under the pretext of reforming regulations for issuing protective gear to workers, a chemical engineering plant in Hubei issued to every worker 7 pieces of outfits for different seasons in the second half of last year alone. According to the regulations, the plant was authorized to spend only 16,200 yuan for changing the work outfit. However, it spent more than 430,000 yuan, 27 times more than the authorized fund. In order to evade the bonus tax, some units gave out goods instead of money, from coverlets and bed sheets to electric blankets and irons. A certain unit in Hainan Dao went so far as to give a whole set of modern cooking utensils to every worker and staff.

6. Grand prizes of every description: In recent years we have seen all sorts of contests with grand prizes, such as contests for creative works as well as quiz programs. The competition was in itself a good thing, but sponsors of the contests received benefits often through behind-the-stage extortion of gifts and money. A recent gala gathering sponsored by a unit in Beijing received over 80,000 yuan in "donations" from various quarters. Aside from

giving dinner and souvenirs to participants, the unit netted over 20,000 yuan, some of which undoubtedly would be spent on the "welfare" of the workers and staff members.

The increase of consumption funds not covered by the plan has not only depleted the state financial resources and intensified the imbalance between total supply and demand, but also corrupted party style and general conduct of society and done grave harm in corroding people's minds. Therefore, it is necessary to take resolute measures to block all kinds of loopholes in using consumption funds. According to authoritative sources, it is necessary to bring into full play the role of taxation, industry and commerce administration, auditing, banking, and supervisory departments, intensifying economic supervision to collect the money belonging to the state and checking unjustifiable expenses. At the same time, it is necessary to improve the legal system and reinforce financial and economic discipline. It is also necessary to, in conjunction with the reform, speed up the formulation and improvement of economic laws and regulations so as to stop the loopholes as soon as possible. Units and individuals violating financial and economic discipline should be investigated for their criminal responsibility according to party and government regulations and laws. Besides, it is also necessary to intensify ideological education among cadres at various levels, fostering among them a sense of responsibility by putting the national interests above anything else in properly handling the relations of interests between the state, collectives, and individuals so as to ensure the normal operations of the national economic life.

Priority for Educational Funds Stressed
HK190256 Beijing CHINA DAILY in English
19 Apr 88 p 4

[By He Zuoxiu, member of the Academic Committee and research professor of the Chinese Academy of Sciences]

[Text] Against rapid economic development, China is haunted by poor awareness of the need to improve education.

Some Chinese have put forward their proposals for a top priority in developing the economy. Because of its backward economy, China, in their opinion, has encountered many difficulties in doing things. They held that only by developing the economy could Chinese hope to invigorate the country.

Theirs would make sense if the Chinese people were still suffering from hunger and cold. This is simply because education has to make way for survival when the nation remains in poverty.

However, this is not faithful to China's realities. In fact, the Chinese people have secured a life with ample food and clothing. In some places, people even have become well-off.

This touches off a discussion of how to spend funds for the most efficient social development. Of course, the discussion is conducted on the basis of steady improvement in people's living standards.

In essence, one of the best possible ways for a developing country like China to catch up with and even surpass the developed ones is to give first priority to the development of culture, science, and especially education.

The productive forces as conceived by Karl Marx include means of production and labour force. Their development, therefore, encompasses such historical phenomena as the development of machinery and the education of the work force.

Over the past years, China focused its attention only on the development of machinery when referring to the development of production.

However, it would be of little use to develop machinery without a skilled labour force. Production hardly can be expanded if there are no highly qualified administrative and technical personnel.

In modern times, when science and technology are making great progress, the education of the work force is of primary importance. Moreover, successes in advanced countries already have demonstrated that a nation's prosperity mainly depends on the quality of its labour force, namely, those who have been well educated.

In a developing country such as China, culture, education and science, especially elementary education, must enjoy the top priority in investment. This is crucial for China to catch up with the developed nations in today's surging waves of technological revolution.

Education also is of great importance in the relations between an advanced culture's ideology and material wealth.

Then, how much should educational funds account for in the gross national product (GNP)?

China, as a developing country, is determined to catch up with and even surpass the developed ones, as is required by the Chinese people's cultural and material needs. So the proportion of educational funds in the GNP must exceed that of the advanced countries. Otherwise, the gap will be widened, rather than bridged.

Most probably, some people would protest against the education-oriented concept. For example, they may ask, "Doesn't it coincide with the idea to rescue China through education, which was proven unfeasible in China before liberation?"

Definitely not! Before the foundation of the People's Republic in 1949, many patriots advocated saving the nation through education. Unfortunately, the reactionary government at that time denied people's right to education. The bulk of the population was illiterate. This led China to be bullied by foreigners.

The Chinese people established their own government after painstaking efforts years ago. Now it is high time for people to reevaluate the importance of education.

It is clear that the improvement of education calls for sufficient money. However, its source remains controversial. Some people suggest individuals and nongovernment organizations raise money for education. In fact, the Chinese people, mostly not affluent for the time being, cannot be expected to pool funds enough to support nationwide education.

Statistics show that the proportion of China's educational funds in the national budget is not only less than that in developed countries, but also less than the developing ones whose level of economic development is about the same as China's.

According to China's yearbook of statistics, China earmarked 2.6 percent of her GNP for education between 1980 and 1982. If this remains unchanged, there is no hope at all for China to catch up with the advanced nations, let alone surpass them. Such an irrational proportion of educational funds left China haunted by the backwardness of its education.

Some people keep saying China, with limited financial capacity, is unable to improve education even though she very much wants to.

The explanation does not hold water. China's annual revenue is like a piece of cake, which, big or small, can be sliced. Some of the cuttings big or small can "feed" education.

Therefore, I appeal for the steady increase of educational funds from our GNP to a little more than the figure in the developed countries, that is, 5.8 percent.

Universities Can Accept Self-Supporting Students OW181402 Beijing XINHUA in English 1027 GMT 18 Apr 88

[Text] Beijing, April 18 (XINHUA)—Chinese colleges and universities can now accept self-sponsored students, according to new regulations issued by the State Education Commission.

According to the regulations, universities will only be allowed to admit those students who have passed the annual national entrance exams and have good moral, intellectual and physical records.

Self-supported students will have to pay fees - at rates which are not lower than the level of expenditure required for a state-sponsored student - but can also compete for scholarships.

Upon graduation, self-supported students can either choose their employment units or be recommended for employment in different work units by their universities.

Universities Look for Alternative Funding
OW172158 Beijing XINHUA in English 1054 GMT
13 Apr 88

[Text] Beijing, April 13 (XINHUA)—With the Chinese Government unable to offer more financial support to the country's institutions of higher learning, some universities are looking for other ways to increase their budgets and raise faculty salaries.

One example is Beijing's Qinghua University, which is now pulling in more money via technology transfer, offering continuing education classes, and holding training sessions for other institutions, while setting up 30 offices to handle the transfer of scientific research results to production.

Money earned from these projects has not only made up budgetary deficits but also increased individual salaries, with staff members each receiving bonuses up to 1,000 yuan (270 U.S. dollars) last year.

"A raise of 50 yuan (13.50 U.S. dollars) a month doesn't seem like very much to one staff member," "CHINA DAILY" quoted the Vice President of Qinghua University Zhang Xiaowen as saying, "but it would mean the state would have to allocate an additional 10 billion yuan (2.7 billion U.S. dollars) to include all China's 25 million intellectuals."

According to Zhang, all China's universities are facing budgetary shortages and recently there have been even louder pleas to raise intellectuals' salaries.

The central government allocated 39 million yuan (10.5 million U.S. dollars) to Qinghua University, and though the school will get another 580,000 yuan (157,000 U.S. dollars) this year, pay raises for the staff alone will amount to 750,000 yuan (203,000 U.S. dollars).

The amount needed to train each university student a year is up to 2,400 yuan (649 U.S. dollars), but the state can only provide 1,830 yuan (495 U.S. dollars) per student.

Many staff members are getting actively involved in helping universities earn more money. Since 1985, Qinghua's Biology Department has been jointly running a workshop with Beijing's Dongfeng Pharmaceutical Factory, and the project is bringing in more income for both parties.

Now 20 percent of the extra money earned goes to the university administration, 40 percent to individual departments, and the rest to the staff as bonuses.

As with all new policies, this one has also raised some objections, Zhang said, explaining some people think the new money-making techniques should be made a long-term policy, while others maintain they should only be used as temporary measures because they are afraid teaching quality will be affected.

To avoid this problem, last year Qinghua paid each of the 800 teachers responsible for basic courses a bonus so their salaries would be the same as other staff members.

Today's "GUANGMING DAILY" said participants to a recent symposium sponsored by the Society for the Administration of Chinese Institutions of Higher Learning suggested departments and enterprises who request college graduates pay universities for students' educational expenses to help solve budget problems.

State Family Planning Commission Meets
HK190243 Beijing CHINA DAILY in English
19 Apr 88 p 1

[By staff reporter Cheng Hong]

[Text] The policy that allows rural couples with only one daughter to have one more child after a certain period has proved reasonable and is not the reason for the rapid growth of China's population in recent years, it was agreed at a national meeting of the State Family Planning Commission in Beijing yesterday.

Peng Peiyun, director of the State Family Planning Commission, said China has entered another "baby boom" period since the first one during the 1960s. This is mainly due to the fact that those babies are now adults and having babies themselves. Negligence in family control work in some areas is also partially responsible, she said.

Directors and deputies of family planning commissions from 40 cities and provinces attended the meeting.

Peng said the "one couple, one child" policy is suitable in cities and some economically developed rural areas, where people's living standards are higher and they believe that both boys and girls have the same bright future. Some couples even prefer a daughter because they think daughters are more easy-going and may pay more attention to their parents.

In the countryside, however, many families are still individual working units and parents may have economic difficulties if they only have a daughter, Peng said.

To solve the problem and better promote family control programmes in both rural and urban areas, Peng reaffirmed that all leaders, workers and city dwellers should have only one child if there is no special excuse.

She said that in the countryside, couples with only one daughter and facing some difficulties will be allowed to have one more child after a certain period, depending on the age of the parents. But no one is allowed to have a third baby she emphasized.

There will be special policies in the ethnic minority areas, Peng said.

Family Planning Policies Having Effect

*OW182134 Beijing XINHUA in English
1439 GMT 18 Apr 88*

[Text] Beijing, April 18 (XINHUA)—China's family planning policies have been successful in bringing the country's natural population growth rate down below the world average.

According to Wang Shoudao, president of China's Family Planning Association, statistics just released show, in 1987, the country's natural population growth rate was 14.37 per thousand, or lower than the world's 17 per thousand average. "Since China is currently hitting a population growth peak," Wang said at the association's board of directors meeting today. "All family planning organizations nationwide need to strictly carry out the state family planning policies."

"Family planning is an important and complicated process of social engineering," Wang said, "which requires hard work now to make things better for future generations."

The association, which boasts more than four million members, Wang explained, should be active as a bridge for the government in making friends with the masses, especially those ready to get married and have children.

In the wake of China's recent baby boom, Wang said, people in these age groups need to give up some traditional ideas like "more children, more happiness," and stick to China's family planning policies.

RENMIN RIBAO on China's Population Problems
*HK190450 Beijing RENMIN RIBAO in Chinese
15 Apr 88 p 5*

[Article by Wu Cangping (3527 3318 5493) and Du Yajun (2629 0068 6511): "Several Questions on the Chinese Population"]

[Text] An Important Part of China's National Condition
[subhead]

The population issue was an important point in the 13th party congress report. The report not only mentioned the importance of controlling the population quantity and enhancing the population quality, but also expounded the changes in the urban and rural population structures and production structures and for the first time mentioned the ageing of the population in our country. The report pointed out: As a prominent phenomenon in our country, 800 million out of the nation's 1 billion people live in the countryside, and are still using hand tools to make a living; a certain number of modern industries coexist with many industries that are several decades or even a century behind present-day standards; some areas that are fairly developed economically coexist with vast areas that are underdeveloped and impoverished; a small amount of science and technology is up to the highest world standards while the scientific and technological level as a whole is rather low; and nearly one-quarter of the population is still illiterate or semi-illiterate. When restudying the conditions in our country, we will find that the large population, the low population quality, the unreasonable population and production structures, and the big differences in the population conditions between different localities are the important part of our national conditions. This is undoubtedly a correct and penetrating viewpoint. Only by realizing these characteristics of China's population can we understand the overall national conditions and work out a correct theory and strategy for solving China's population issue.

The Family Planning Work Must Not Be Relaxed a Bit [subhead]

The 13th party congress also put forth the grand strategy for developing our economy by three stages, and at the same time, seriously pointed out: If we do not redouble our efforts, our country may become more backward, and we will not be able to attain a good position in the world. However, without scientific and technological progress and scientific management, it is impossible to grow sufficient grain and other farm products on the limited land, and it is impossible to maintain the present condition of supplying people with sufficient food and clothing while the population continues to increase, still less can we reach the comparatively well-off or even higher living standards. The report's exposition of the population issue shows that population control is an important matter that has a bearing on the destiny of our nation and must not be neglected at any time.

The national conditions in our country determine that population control is an important matter that concerns the overall economic and social development. At present, our country has entered the third birth boom period since the founding of the People's Republic. In this period, more than 20 million people reach the marriage and child-bearing age every year; and this period will last for 15 years. If we relax our population control, the fourth birth boom may appear in 20 to 30 years. So we must continue to strictly control our population in the remaining years of this century so as to

mitigate the inertia of population increases and prevent the appearance of the fourth birth boom. Thus we can basically complete the adjustment of the population quantity and age structure by the end of the second stage of the economic development strategy and prepare the necessary population condition for the third stage of the economic development strategy. Moreover, the present ecological environment in our country is rather vulnerable. If population grows too fast, it will produce more adverse influence on the ecological environment and the consequences will be very serious. In the 1950's and 1960's, we lost the opportunities of adjusting the population growth. Now, history gives us another opportunity to do this. Before the end of the third birth boom which will last till the end of this century, we have no other choice but to tighten control over population growth.

Making Preparations for the Ageing of the Population [subhead]

According to many figures at home and abroad, it is expected that China's population will stop increasing in the 30's and 40's of next century. Then, the population ageing process in our country will undergo three stages: slow ageing, rapid ageing, and stable ageing. Rapid ageing will occur between 2010 and 2035, and the ageing of the working population will occur earlier than the ageing of the entire population. This is because people who were born during the two birth booms in the 1950's and 1960's will become old and this gives rise to the peak of the ageing population. This is also a result of our previous neglect of birth control. The ageing of the population is a profound social and economic phenomenon, and will produce a major influence on social productivity, the application of new technologies, the burdens of the working population, the distribution and use of the national income, the consumption structure, the production structure, employment conditions, medical services, and the social services for old people. Now, our nation is still rather poor, and the ageing of the population will bring more complicated problems than the developed countries.

If we try to realize the zero growth or negative growth of population too early, it means that a policy of each couple only raising one child will have to remain unchanged for several generations. Then, one day, the old people over 90 years will account for 40 percent of the total population. It will be completely impossible for any community, no matter whether it is as big as a nation or as small as a family, to bear such a serious degree of population ageing. Once the inertia of population reduction takes shape, it will be hard to stabilize or increase the population. At present the political scientists, demographers, economists, and sociologists in Western countries are deeply worried about the negative growth in population. This should also cause our deep thought. Therefore, when we adjust our population, we must pay close attention to the tendency of population ageing, and must prevent our population from becoming rapidly and

seriously aged. We should now continue to control the population, and should also make timely preparations for the appearance of population ageing by adopting correct measures.

Making Efforts To Realize the Strategic Change in the Employment Structure of the Population [subhead]

Improving population quality and changing the employment structure of the population is also an important aspect in settling the population issue in our country.

The 13th party congress report took the change in the employment structure of the population as a major measure for solving China's population problem and as a symbol of modernization. According to the experience of economic modernization in most countries, without the shift of a large percentage of population from agriculture to industry, there will be no industrialization, commercialization, socialization of production, and modernization, and it will not be possible to build our country into a powerful, democratic, and civilized modern socialist country. That is to say, China's population issue is not merely an issue of reducing births, but is a complicated socioeconomic issue. We cannot treat and solve the population issue by separating it from socioeconomic development, and cannot think that we may realize modernization without properly solving the population issue; instead, we can only solve the population issue in the modernization process.

At present, the coexistence of modern and traditional industries and the coexistence of developed, less developed, and impoverished areas are undoubtedly related to the excessive quantity of labor force in our country, but this state of affairs also has close relation with the low population quality, the low economic efficiency, and the undeveloped condition of the socialist labor market. The exercise of family planning and birth control can bring the increase in population under control and can reduce the supply of labor force in the future, but the problems concerning the existing large population can be solved only through other economic and social means.

As we all know, in the traditional economic departments in our country, there is mainly simple labor, and the quality of laborers and the productivity are rather low. Output is increased mainly through the input of large quantities of simple labor. Modern industrial departments are technology-intensive, and they have rather high requirements for the educational and health quality of the workers. Therefore, in order to realize the strategic shift of the employment structure of the population, we must eliminate the existing hidden unemployment, raise the economic efficiency, and continuously provide large numbers of qualified laborers for the modern industries. It is obvious that the enhancement of laborer's quality and the cultivation of large numbers of qualified workers of high quality is one of the central tasks for fulfilling our economic development strategy. We must on the one hand improve the educational structure and education

quality in light of the actual needs to ensure that the educational conditions of the younger working population meet the requirements of modern production; on the other hand, we should strengthen in-service education for the workers so as to prepare for the shift of more workers to modern industries.

To complete the change in the employment structure of the population, we must further expand the labor market, and facilitate the movement of the labor force. This will improve the distribution of the labor resources. Facts show that under the planning system with administrative interference as the main body, it is hard to most efficiently distribute the labor force in various economic fields. Only by introducing the competition mechanism and opening the labor market can we promote the improvement of the quality of the working population and promote the reasonable movement of labor force, thus realizing the strategic change in the employment structure of the population. Therefore, sufficient attention must be given to the movement of population and especially the moving population in cities and towns.

To complete the change in the employment structure of the population, we must also reform the existing society security system in our country. At present, society security is mainly a duty performed by various enterprises, and only a limited number of laborers can enjoy a limited scope of welfare treatments. It should be particularly pointed out that the present social security system in our country is not favorable to our challenge to the rapid ageing of population. The defects of the social security system have become obstacles to the opening of the labor market, and this system must be urgently reformed. The demographers and economists and departments concerned in our country should pay more attention to the studies in this regard.

Industrial Pollution Reportedly Serious
HK190244 Beijing CHINA DAILY in English
19 Apr 88 p 1

[By staff reporter Nie Lisheng]

[Text] Industrial pollution is serious according to a national survey which identified 168,000 polluting factories around the country.

These factories are blamed for more than 80 percent of the country's total discharges of industrial waste water, gas and residues, the State Environmental Protection Bureau announced yesterday in a survey report.

With 1985 as the base year, the survey was conducted up to the end of 1987 to find out industrial pollution sources and help map out control and prevention measures, director of the bureau, Qu Geping, told a press conference.

The surveyed factories were found to have annual total discharges of 8.9 million tons of organic pollutants and 3,790 tons of heavy metals like mercury, cadmium, chromium and lead. As much as 90 percent of these pollutants are dumped into rivers and seas.

As a result, more than 47,000 kilometres of river courses have been contaminated, he said. Such industrial pollution is more obvious where rivers flow through urban areas, such as the Suzhou River and the Huangpu River across Shanghai, the Haibe River across Tianjin and Qinhuai River across Nanjing.

In Shanghai, discharges of waste water into the Suzhou River nearly equal its runoff volume, although the State has ruled sewage discharges must be 10 times below river runoff volume.

Air quality is also poor in many Chinese cities, mainly as a result of industrial pollution caused by waste gases containing soot and sulfur dioxide.

In as many as 60 cities, the average daily density of floating pollutant particles in the air is 660 micrograms per cubic metre, higher than the State limits allowed. In 32 other cities, air pollutant particle density is 860 micrograms per cubic metre; a few cities even recorded more than 1,000 micrograms of pollutants per cubic metre of air.

Redistribution of Urban Workers Necessary
HK190255 Beijing CHINA DAILY in English
19 Apr p 4

[Text] New ways must be sought to adjust the distribution of workers in urban industries, a signed article in Economic Daily says.

It is well known that there is a considerable amount of surplus labour in urban factories and companies, the article says in the weekly column entitled Economic Observer.

There are more than 15 million surplus workers in urban areas—equivalent to the total population of Australia. It is difficult to calculate the economic loss caused by such human waste.

Apart from impeding productivity and efficiency, over-staffing in factories has been a major factor in high production costs and prices, and results in low incentive to work.

Unless the number of surplus workers is cut, healthy competition will be unthinkable, the paper warns.

Solutions to such problems are not difficult to find, it seems. Surplus workers could be advised to go into other business undertaking or receive more professional training. Some factories, when time permits, could experiment with a five-day work week.

The core of the problem lies in a sharp contradiction between overstaffed and understaffed industries.

While millions of workers have nothing to do in some factories, other factories are suffering from a severe shortage of workers—approximately 30 million in all, according to some figures.

One relief measure has been to hire rural people to make up the shortfall, but another 10 million workers are still urgently needed in trades such as textiles, casting and spray painting, which are often regarded as the most tiring, dirty and badly-paid jobs.

A Beijing machine factory director complained that few people wanted to work in casting or spray paint workshops. If he could not find an extra 150 workers, his factory would come to a standstill in the next three years.

The sharpening of the conflict is most harmful to the nation's economy and social development. The article calls for the inevitable adjustment of workers among factories.

Surplus workers must be transferred to understaffed companies and firms, and ways to encourage such a flow of personnel must be worked out.

The article offers two suggestions to achieve balanced workforce distribution.

The first is by creating, or expanding, differences in wages and benefits. For example, people who are employed by textile mills or heavy manual labour factories should be paid more than those working in other trades. They should have more bonuses, subsidies, shorter hours and more holidays.

The second method would be to set up improved co-ordination among all factories. Workers should not be hired on a permanent basis, and some should be advised to leave for more challenging jobs elsewhere when factories become overstaffed.

More power should be given to factory managers to adjust the number of workers by themselves or through co-operation with their counterparts.

It is time to stop using arbitrary measures in the handling of workers, the paper says.

Correspondence Agrotechnology Courses Offered OW190337 Beijing XINHUA in English 1857 GMT 15 Apr 88

[Text] April 15 (XINHUA)—China's Agricultural Technology Correspondence University, a special university which trains peasant technicians, has increased farm output value by 50 million yuan in the 3 years since its founding.

The correspondence university is run by the China Association for Science and Technology, and offers 1-year courses. So far it has trained over 83,000 peasant students and is called "The Peasants' University Without Walls".

The university has set up four departments—planting, breeding, processing, and township enterprise management.

Half of some 10,000 poor peasants in northeast China's Heilongjiang Province earned over 1,000 yuan each in the first year after graduating from the branch university in the province.

And most of the 10,000 graduates from the branch university in Nanyang Prefecture, Henan Province, have become technicians in their villages or township enterprises.

Li Zhenkui, a peasant from Weixian County in Hebei Province, has succeeded in growing 50,000 nursery stocks of Chinese roses, hawthorns, cherry trees, and grapes. As a result, he has earned 20,000 yuan with the technology of plant culturing he learned in the local branch university.

The university has more than 1,000 branch universities, instruction centers, and experimental bases in 26 provinces, municipalities, and autonomous regions in the country, enrolling over 100,000 students.

The university has invited 140 professors and experts from Beijing University, Beijing Agricultural University, Nankai University in Tianjin, and China's Academy of Sciences to compile textbooks, and to give instructions.

In addition, some 100 technologists have been invited to compile teaching materials reflecting local conditions and suited to local needs.

Commentator's Article Views Enterprise Law HK191300 Beijing RENMIN RIBAO in Chinese 16 Apr 88 p 1

[Commentator's article: "Conscientiously Implement the 'Enterprise Law'"]

[Text] The "Law on Industrial Enterprises Owned by the Whole People," which we have been looking forward to for a long time, is formally promulgated today. This is a great happy event regarding China's economic structural reform and the building of the Chinese legal system. We would like to extend warm congratulations to the economic and legal circles and particularly to all the enterprises in the country.

This "Enterprise Law" is one of the basic laws of China. It is an important law on enterprises and economy. The work of deliberating on and drafting this law and the work of winning the approval of this law by the First

Session of the Seventh NPC took China 10 whole years to finish. The "Enterprise Law" was discussed and examined five times by the Sixth NPC Standing Committee. The law is based on opinions and suggestions solicited from all sides and all circles in our society. It was revised repeatedly. It really has not come easily. We hope that everybody will treasure and conscientiously implement this law.

This law has summed up China's all-around experiences in running industrial enterprises for nearly 40 years, embodied the spirit of the 13th National Party Congress, consolidated the achievements in reforms scored over the past 10 years, and opened up a road of advance for deepening reforms in the future. The promulgation and implementation of this law are of great importance to further emancipating the mind, deepening reforms, further liberating the productive forces, developing the national economy sustainedly and steadily, and speeding up our socialist modernization construction.

Legislation itself is not the ultimate aim; following the promulgation of a law, the most important thing is to implement it. A law contains articles finalized on the basis of those policies that have been proved to be correct through practice. All the articles in the "Enterprise Law" are legal ones; failing to implement them means violating the law. For this reason, we must conscientiously study and enforce the law. We must not be influenced by the view that "it is better than nothing" nor must we look down on the "Enterprise Law." In addition, we must not regard the "Enterprise Law" as "not essential" or "of no importance," so as to prevent our sense of the legal system from fading, and to guard against the practice not acting according to law, failing to strictly enforce the law, and failing to investigate and affix the responsibility for violations of the law.

The soul of the "Enterprise Law" lies in implementing the principle of "separating the two kinds of rights" of an enterprise, namely, proprietary rights and management rights. The key to implementing the "Enterprise Law" lies in advancing along the road of "separating the two kinds of rights." Under the traditional economic management of products, an enterprise will always be a subsidiary body of a government organ; strictly speaking, such an enterprise is not a genuine enterprise. Since the "Enterprise Law" clearly stipulates for implementation of the principle of "separating the two kinds of rights" of an enterprise, it provides legal basis and protection for the independent management of enterprises and turning enterprises into socialist operators of commodity production. This is the key to truly enlivening our enterprises. Both the interior and exterior of an enterprise must act according to the law and in accordance with this principle. One must not be vague on matters of principle.

Carrying out the "separation of the two kinds of rights" is aimed at strengthening the management rights of enterprises and ensuring that the management rights are

given to enterprises. As far as the exterior of an enterprise is concerned, it is imperative to separate the functions of the government from those of the enterprise; competent departments must no longer excessively stress proprietary rights for the purpose of flagrantly interfering in enterprise affairs. Within the interior of an enterprise, it is imperative to separate the functions of the party from those of the government, for the purpose of ensuring that the enterprise director holds a central position and plays a key role.

Strengthening the democratic management of enterprises and realizing the unity of the authority of enterprise operators and the master status of the staff members and workers are important links in implementing the "Enterprise Law." Having the staff members and workers to participate in the democratic management of enterprises will primarily provide strong support for enterprise directors and will secondarily enable the staff members and workers to play a supervisory role as well as role in imposing restrictions. As far an enterprise director is concerned, he must clearly understand that the staff members and workers of his enterprise are the main body and that he himself is also one of them. In making policy decisions on major issues, an enterprise director must give full play to democracy, rely on the masses, and follow the mass line. Only by so doing can the enterprise director make realistic and practical policy decisions, avoid making unnecessary mistakes, and win the people's true support for implementing such policy decisions.

To ensure successful implementation of the "Enterprise Law," the current task of top priority is to firmly grasp the formulation of detailed rules and regulations for the implementation of the law as well as the auxiliary laws and regulations.

We firmly believe that under the guidance of the basic line and important guiding principles as defined by the 13th party congress, and that with all circles and all levels jointly acting in accordance with the reformist thinking about "separating the two kinds of rights," "separating the functions of the government from those of the enterprise," and "separating the functions of the party from those of the government," the "Enterprise Law" will be conscientiously implemented and this law will become a powerful tool for promoting reforms and construction.

**Southwest Economic Coordination Meeting Opens
HK190357 Nanning Guangxi Regional Service
in Mandarin 1030 GMT 18 Apr 88**

[Excerpts] The fifth meeting of the six-party Southwest Economic Coordination Conference opened in Nanning today. The meeting is being attended by 315 representatives, headed by Xie Shijie, Jin Renqing, Liu Yulin, Puquin, Cheng Kejie, and Huang Ye, respectively leaders of the Sichuan, Yunnan, Guizhou, Tibet, Guangxi, and Chongqing delegations. The meeting has specially

invited representatives from departments concerned of the CPC Central Committee and State Council and comrades from Guangdong, Hunan, and Hainan Provinces and Guangzhou City, together with experts, scholars, and media representatives to attend as observers. [passage omitted]

Chen Huiguang, secretary of the Guangxi Regional CPC Committee, delivered the opening speech. Yang Rudai, member of the Political Bureau of the CPC Central Committee and secretary of the Sichuan Provincial CPC Committee, delivered a written speech. Xie Shijie, member of the standing committee of the Sichuan Provincial CPC Committee and Sichuan vice governor in charge of day-to-day affairs, reported on the work in the past year since the fourth meeting of the conference. Qiu Fu, secretary general of the Guangdong Provincial People's Government, introduced Guangdong's experiences in reforms and opening up and speeding up economic construction.

(Zhang Minghao), permanent deputy leader of the Southwest Resources Investigation Team, delivered a report on the comprehensive investigation of land resources in the southwest and on development strategy studies.

In his opening speech, Comrade Chen Huiguang said after affirming the work of the southwest economic coordination conference in the past year: The economy of southwest China is rather backward. However, there are abundant resources and great potentials there, and there is a certain foundation in foreign exchange-earning agriculture, industry, and township and town enterprises. The implementation of the coastal economic development strategy will mark a major turning-point in speeding up economic development in this region and in extricating minority-nationality areas from poverty and enriching them. We must have a high sense of responsibility and urgency, make reforms dominate the whole picture, seize the opportunity, and take the initiative in actively following this central strategy.

I hold that the coastal area within our economic coordination region should step up ties and cooperation with all sectors in the southwest in order to speed up the development of Beihai and Fangcheng ports and the construction of the coastal economic open zone in southeastern Guangxi. We should also apply preferential policies in the coastal open cities and counties to provide excellent conditions and conveniences for encouraging commodity exports and the development of export-oriented economy for all parts of the southwest. Through further ties and cooperation with the coastal areas, the interior areas should vigorously develop strong-point products and exploit their strong-point resources, and use the ports of Beihai and Fangcheng and the southeastern Guangxi coastal economic open zone to organize omnidirectional and multiform joint export efforts, to promote economic development in the coastal areas and in all parts of the interior.

In order to step up ties and cooperation and implement the coastal economic development strategy, this meeting must study the question of speeding up communications and energy construction within the economic coordination region. We must strive to build the Nanning-Kunming railroad as soon as possible. The exploitation of the Wu Jiang, Hongshui, Nanpan Jiang, and Chang Jiang should also be put on the agenda. We should also study and revise the ties between the six parties in the economic coordination region. [passage omitted]

Comrade Yang Rudai said in his written speech to the meeting: Since the southwest economic coordination conference was established, there have been great developments in our economic cooperation ties and economic coordination work. New successes have been gained every year. Since the fourth meeting in Chengdu last May, over half of the more than 1,000 cooperation projects on which agreement was reached have been launched, thanks to the efforts of all sectors. New developments have occurred in combines of various types. At the same time, we have established a number of transprovincial and transregional sectoral cooperation bodies. We have launched a series of cooperation activities in agriculture and animal husbandry. We have promoted inter-bank capital loans, and mutual capital assistance has exceeded 7 billion yuan. In short, thanks to the cooperation of all sectors, many new achievements have been scored in our coordination work. As the host of the last meeting, we sincerely thank all parties to the conference.

Yang Rudai said: I would like to take the opportunity of the opening of this meeting to put forward a number of views for reference.

1. Proceeding from the comprehensive demands of implementing the coastal economic development strategy, we should consider and study questions of the further development of our economic cooperation ties. We must speed up our pace in opening up and actively take part in and join the domestic and international economic circles. We must bring the products of the southwest into the domestic and international markets, and rebuild the silk road of the south.

2. Proceeding from the southwest's strong points in resources and economy, we should further promote the establishment and development of enterprise combines with the focus on fine-quality and brand products, such as machinery, electronics, generating equipment, food and drink, brand cigarettes and wines, pharmaceuticals, chemicals and so on, all of which are quite strong points in the southwest. We should promote serial coordination from raw materials, scientific research, and processing to packaging, transport, and sales, and establish and develop combines and enterprise groups at various levels.

3. Strengthening the agricultural foundation is a strategic issue in the steady development of the economy in the southwest. We should continue to strengthen ties and cooperation in this field. A very important thing in strengthening the agricultural foundation is to increase input in agriculture. We must pay attention to long-term development returns in agriculture and animal husbandry.

4. Establishing and cultivating a socialist market setup and speed up the development of regional markets in the southwest. Yang Rudai proposed that the gates should be further opened to make the market network in the southwest provinces, regions, and Chongqing still more well-knit and open. It is also necessary to correspondingly strengthen cooperation in coordinated building of the market.

Li Xiannian Stresses Agriculture in Henan
*OW190212 Beijing XINHUA Domestic Service
in Chinese 1325 GMT 18 Apr 88*

[By reporter Jing Bo]

[Text] Zhengzhou, 18 Apr (XINHUA) — Chairman Li Xiannian of the CPPCC National Committee pointed out while inspecting Henan's Xinyang Prefecture, an old revolutionary base area in the Dabie Mountains, on 17 and 18 April: It is necessary to stress the development of agriculture, industries in support of agriculture, and village and town enterprises in order to ensure a steady increase in grain production and to improve the living standards of the people in the old revolutionary base area.

Li Xiannian worked and fought for a long time in the Dabie Mountains during the war years. While seeing the luxuriant growth of Xinyang Prefecture's wheat crop, he asked whether farmland was used for other purposes. He then told party and government leaders of Henan Province and Xinyang Prefecture: It is necessary to greatly treasure land, to change prevailing habits and customs, to control the population, and not to indiscriminately build houses or set up a cemetery on farmland. People just cannot exist without land. It is essential to have farmland in order to push grain production forward. At the same time, good work should be done in irrigation and water conservancy and more manure should be accumulated and used. In addition, it is also necessary to develop industries in support of agriculture and to produce more chemical fertilizer, pesticides, and plastic film. Vigorous efforts should be made to develop village and town enterprises and to efficiently process farm and sideline products, such as Xinyang tea.

Li Xiannian heard briefings by Hu Xiaoyun, deputy secretary of the Henan Provincial CPC Committee and vice governor of the province; Yan Jimin, chairman of the provincial CPPCC Committee; and responsible comrades of party and government organizations in Xinyang Prefecture and Luoshan County.

Li Xiannian expressed his joy at seeing that improvement had been made in the work of the old revolutionary base area. With deep feelings for the martyrs and people of the old revolutionary base area, Li Xiannian said: It is necessary to show concern for old Red Army veterans, the families of revolutionary martyrs in production and daily life, and the growth of their descendants. Special care should be given to them, but it is more important to educate the families of martyrs and their descendants to preserve and carry forward the revolutionary traditions and to get rich with wisdom and through hard work.

More Loans Guaranteed for Agriculture
*OW190336 Beijing XINHUA in English 1415 GMT
18 Apr 88*

[Text] Beijing, April 18 (XINHUA)—China's agricultural bank and rural credit cooperatives granted 32.2 billion yuan (8.7 billion U.S. dollars) worth of loans to aid spring farming during this year's first quarter, or 16 percent more than the same 1987 period.

These financial institutions also offered 72.8 billion yuan (19.7 billion U.S. dollars) in rural commodity loans to help commercial departments purchase more grain, farm machinery and raw materials.

According to a bank official, representatives from the bank and rural credit cooperatives visited rural areas to assess the production situation and estimate the funds needed up front to promote grain production, introduce more modern agro-techniques, and install better irrigation equipment.

Protection of Status of Agriculture Urged
*HK181555 Beijing NONGMIN RIBAO in Chinese
4 Apr 88 p 1*

[Reporter's commentary: "The Status of Agriculture Should Be Protected"]

[Text] The status of agriculture should be protected. This has been explicitly urged by some experts and should arouse our adequate attention.

Compared with industrial production, agriculture has some inherent weak points which are difficult to overcome. Restricted by natural conditions, agriculture harbors tremendous risks. Under certain technical conditions, the rewards from farmland tend to decline, thus preventing people from investing capital and technology in agriculture. Generally speaking, the increase in agricultural labor productivity is slower than that in industrial labor productivity. The elasticity of consumption of agricultural products is relatively small. If agricultural output increases too fast, necessary consumption of farm products cannot rise correspondingly. However, if agricultural output shrinks a little, the market becomes tight immediately. All this shows that special measures should be adopted to protect agriculture; otherwise it can hardly develop in harmony with industrial production.

Many developed countries employ financial means to support their agriculture, and what they use on agriculture is usually much more than what they take from it. In the United States, agriculture only accounts for 4 percent of national income, but the government appropriates 9 percent of financial subsidies for agricultural development. In West Germany, agricultural tax amounts to a mere 1.7 percent of total taxation, but agricultural investment makes up 7 percent of the state budget. Between 1973 and 1983, the European Community used 70 percent of its budget for agricultural subsidies. In recent years Japan has allocated about 1,000 billion yen to agricultural development, but it has taken very little from agriculture.

Considering the situation abroad and at home, our country adopted a development strategy of leaning on heavy industry after the founding of our People's Republic. Through the scissors differential in the prices of industrial and agricultural products, our country accumulated several hundred billion yuan as funds for industrialization. If we say that this measure was necessary in accumulating capital during that period, then when a foundation for heavy industry is laid and when industrial output value has increased to 60 to 70 percent of the gross national product, we should no longer "develop industry at the expense of agricultural production" but should "expand industrial production to support agriculture."

One of the great historical contributions made by the 3d Plenary Session of the 11th CPC Central Committee is the adoption of policies protecting agriculture. On the one hand, we introduced the system of responsibility in agricultural production in an effort to entrust the peasants with decisionmaking power and, on the other hand, we raised the prices of farm products by a big margin. After 1979, the scissors differential in the prices of agricultural and industrial products narrowed by 9.8 percent a year. This is evidently what helped agriculture achieve great successes in a mere few years.

However, when agriculture was advancing full steam ahead, some departments and areas overestimated the development capacity of agriculture. Consciously and unconsciously they lessened their support for agriculture. A powerful indication is that the scale of capital construction in the cities was quickly enlarged and numerous hotel buildings sprang up like mushrooms. As a result, the state and local authorities continuously cut down their investment in the capital construction of agriculture. In 1986 national investment in the capital construction of agriculture made up only 3.3 percent of the total investment in capital construction throughout the country.

During the Sixth 5-Year Plan, the proportion of investment in the agricultural machinery industry in the total investment in capital construction dropped from 4.3 percent in 1963 to 1.3 percent in 1980. This situation was even worse in some localities. For example, in

Hunan, a major agricultural province in southern China, investment in agricultural capital construction during the Sixth 5-Year Plan was cut down by 41.9 percent, if compared with the Fifth 5-Year Plan, the total sum being less than 100 million yuan. In addition, in 1986 the investment made up only 2 percent of the total investment in the province's capital construction. In Sichuan, a province which ranked first in the nation's grain production for many years, in 1986 investment in agricultural capital construction accounted for only 2.84 percent, even less than the investment in the capital construction of party and government organizations. NPC deputy Li Luobin summarized the existing major problems relating to agriculture as "reduction in four aspects" and "dropping in four aspects," namely, reduction in cultivated land and a dropping in soil fertility; reduction in investment and a dropping in engineering efficiency; reduction in the means of production and a dropping in the quality of services; and reduction in scientific and technological development and a dropping in the quality of scientific and technical personnel. Will such a situation not affect agricultural development if it is not changed? It is believed that the slack development in agricultural production in recent years has resulted from our failure to observe the law of value. This view is no doubt quite right. To make a comprehensive analysis of the problem, some comrades, however, say there is another reason—the state's abated support for and protection of agriculture and less investment in it.

As far as investment is concerned, it can often be heard that we should not fix our eyes only on the state, but should tap potential from among the peasants. No doubt, it is not right to fix our eyes only on the state. Peasants are regarded as the main body in making investments in agriculture. If each peasant invests 10 yuan a year, the annual amount will be 8 billion yuan. This is not a small figure. However, encouraging the peasants to make investments does not mean there is no need for state assistance. In a country with a population of 800 million people engaged in agriculture, the state cannot afford to take on what ought to be done in agricultural development. Even when the state becomes prosperous in the future, it will remain unable to monopolize everything in agricultural development. Not to mention other things, we only talk about the attainment of the goal of expanding the gross national grain output to 500 billion kg by the end of this century. To achieve this, it is roughly estimated that 150 million tons of chemical fertilizer and 480 million horsepower of agricultural machinery will be needed, which represent increases of 105 percent and 69 percent respectively over 1985. These two tasks can hardly be fulfilled without the support of the state, to say nothing of large irrigation projects, basic agricultural installations, and major scientific research items for agricultural development.

In his Government Work Report at the First Session of the Seventh NPC, Acting Premier Li Peng pointed out: A steady increase in agricultural output, and in particular in grain output, is the guarantee of a long-term steady

development of the national economy. In the report, energetically expanding agricultural production and strengthening construction of basic industries and projects for basic facilities have been placed as the first of the 10 major tasks for the State Council in the coming 5 years. This is a stirring in this direction. It is hoped that it will be really implemented in future agricultural work.

NONGMIN RIBAO on Grain Development Strategy
HK160427 Beijing NONGMIN RIBAO in Chinese
2 Apr 88 pp 1,2

[Article by Zhang Gensheng (1728 2704 3932): "On Some Issues in China's Grain Development Strategy"]

[Text] The grain issue is one of the important strategic issues in China's economic development. Our country's population will exceed 1.2 billion by the turn of the century. If the per-capita consumption of grain is assumed to be 400 kilograms, then China's total grain output will be 50 million kilograms [as published]. In other words, the grain output will have to be raised by another 100 billion kilograms in the next 10 years or more. How are we going to effectively promote production to fulfill our target? How are we going to introduce a change in the people's food consumption pattern so that it will better suit our national conditions? How are we going to deepen the reform of the grain procurement, marketing, and circulation structure so as to promote grain production? All these are strategic issues concerning development of grain production that badly need to be studied.

I. A Brief Review of the Development of Grain Production in China [subhead]

In 1949, China's grain output was merely 113.15 billion kilograms. Suppose an increase of some 100 billion kilograms is set as a step on the ladder of growth in grain production, then China's grain output has moved three steps upward since 1949. The first upward step was realized during 1949 to 1957, with the grain output raised to 195 billion kilograms. The average growth for that period was 20 billion jin per year. This achievement should mainly be attributed to the land reform which emancipated the productive forces and raised the peasants' enthusiasm in production to an unprecedented height.

The second step was realized during 1957-1978, when the grain output increased from 195 billion kilograms to 304.75 billion kilograms. This stage which took 21 years to complete witnessed a few setbacks and left us many bitter lessons. The first setback occurred in 1958 when the Great Leap Forward, the introduction of the people's commune system, the practices of egalitarianism and indiscriminate transfer of resources, and the communist wind seriously undermined the productive forces and brought about a considerable decrease in the grain output. It was only until 1965 that the grain output rose

again to the level recorded in 1957. And the second setback was the result of the destruction during the 10 years of the "Great Cultural Revolution."

Then what were the contributing factors that helped to raise the grain output to the second step? The growth in the grain output during this second period should mainly be attributed to the efforts of the vast number of cadres and peasants who resisted the erroneous "leftist" line and continued to develop production, build more water conservation facilities, use more chemical fertilizer, and increase other material investments. In 1965, China's annual chemical fertilizer consumption totaled merely 1.94 million tons (standard fertilizer); it drastically rose to 8.84 million tons or by 356 percent in 1978. In 1965, the country's total irrigated farmland area was 495.82 million mu; it rose to 674.48 million mu in 1978, an increase of 36 percent. In 1965, the power consumption in rural areas totaled 3.7 billion kilowatt-hours; it rose to 25.31 billion kilowatt-hours or 684 percent in 1978. To be sure, there were many things wrong in the policies implemented during this period. But, after all, our principal measures to carry on farmland capital construction, popularize new technology, and develop the productive forces were correct.

The third step was realized during 1978-1984, with the grain output rising from 304.75 billion kilograms to 407.3 billion kilograms. So an increase of 100 billion kilograms in grain output was achieved in 9 years, with the last 3 years counted. This achievement should mainly be attributed to the reform introduced into rural areas after the 3d plenary session of the 11th CPC Central Committee and the implementation of the output-related system of contracted responsibility centering around the household contracting system, as well as the considerable rise in the grain procurement prices, the reform of the grain marketing system, and the further increase in agricultural investments. During this period, the annual consumption of chemical fertilizer increased from 40 million tons to 80 million tons, while the massive popularization of such fine varieties of grain as the southern hybrid rice and the northern hybrid corn played an important part in bringing about the increase in the grain output.

With regard to the guidance for grain production, we have rich experience, both positive and negative. Conscientiously summing up our experience will be of great value to us in formulating our future principles and policies. By and large, to develop agricultural production, especially grain production, we must follow three principles. First, we must unremittingly readjust and improve the relations of production and ensure that they will suit the degree of development of the productive forces and will help to promote production. But, we must also bear in mind that changing the production relations regardless of the limits of the productive forces will inevitably result in a destruction of the productive forces and losses. Second, we must combine reform with development, continuously increase investment, improve the

conditions for production, popularize the application of new results of scientific and technological research, and thus raise the production level. This is the important material prerequisite for growth in grain output. Third, we must correctly handle the relations between the state and the peasants, develop commodity production, act according to the law of value, and ensure that the income of grain growers will continuously increase while guaranteeing that the needs of national construction are met. The growth in the peasants' income must be guaranteed, otherwise grain output will not increase rapidly.

II. Prospects for Grain Production in China [subhead]

Will one more upward step be realized, raising China's grain output by another 100 billion kilograms in the next 10 years or so?

First of all we must be aware of China's large population. In contrast to this, the country's limited water and soil resources serve as a noticeable hindrance to the growth in grain output. What is more, China's poor economy restricts its investment in agriculture. Therefore, it is difficult indeed to realize another step upward. Now each person in China can share only 1.5 mu of farmland, and the high-, medium-, and low-yield sections respectively account for 1/3 of the country's total farmland. The area of farmland keeps on decreasing and will be reduced at a rate of 3 to 4 million mu a year in the future even if good management is maintained. As the water resource is relatively scarce in north China, the expansion of the irrigated area is subject to restriction. As agriculture is much affected by natural conditions, a sowing area of 400 to 600 million mu of farmland suffers, to a varying extent, from natural disasters. What is more noteworthy is that peasants in many places have shown less interest in grain production since the profits arising thereof are less attractive. Local authorities have also shown a similar tendency. Both cadres and peasants like to grow more industrial crops which are more promising in terms of profits. All the above are unfavorable conditions to grain production.

However, we also enjoy many favorable conditions in China. As we have been relying on integration of traditional intensive farming and new technology, we still have managed to maintain the 34-unit area yield at a higher level although our agricultural investment and chemical fertilizer consumption have been relatively low. The per-unit area yield is 335 kilograms suppose the more than 1.2 billion mu grain-growing area is taken as the denominator, or 250 kilograms suppose the more than 1.6 billion mu sowing area is taken as the denominator. Thus it must be admitted that China has rich experience in and a relatively good basis for agricultural production. Now China still has a great potential to raise the per-unit area yield, as the per-unit area yield on about 50 percent of the farmland in the country is merely a little higher than 100 or 200 kilograms. Even in high-yield areas, the per-unit area yield varies remarkably by a margin of several hundred jin. There is a

possibility of substantial increase in the per-unit area yield in the wake of scientific and technological development. In rice growing zones in south China, it is definitely possible to raise the per-unit area yield by 50 kilograms if we can develop fine varieties of hybrid early rice. It will be still easier to raise the per-unit area yield of corn by 50 to 100 kilograms in north China, as there is a great potential awaiting to be tapped through popularizing fine varieties of corn and improving the growing technique.

China lacks large reclaimable land, except several ten million mu of barren land in north China, several million mu of beachy land along the coast, and some separate small plots of barren land distributed over different provinces, which can be reclaimed to replenish the reserve of farmland. But, what we must particularly note here is that in the wake of the development of industry in China, technological transformation and materials and equipment for agricultural production, such as chemical fertilizer, agricultural chemicals, plastic film for farming, agricultural machinery, and electric power, will play an increasingly important role. Both Chinese and foreign experience has fully shown that despite large population and limited land, great development of agriculture still can be achieved so long as one increases material investment and vigorously popularizes new technology.

The state will adopt some policies to further boost agricultural production. By carrying out the reform of the circulation structure in depth and appropriately raising the prices of grain, we are bound to bring into full play the initiative of the vast number of peasants in grain production. The rapid development of township and town enterprises will give full play to the "role of industry which subsidizes and supports agriculture" and will help increase investments in grain production. Meanwhile, as part of the agricultural labor force is transferred to the secondary and tertiary industries, township and town enterprises' business scale will be moderately expanded and their capital accumulation capacity will increase.

Reviewing all the major changes in rural areas, especially the rapid growth in grain output, that occurred after the 3d plenary session of the 11th CPC Central Committee, we should have a greater confidence in grain production in the next decade. There is no ground for any pessimistic views and disappointment. It is definitely possible for China to move another step upward in grain production, raising its grain output by another 100 billion kilograms. On the other hand, it is also reasonable for Guangdong, Fujian, Jiangsu, Zhejiang, and other coastal areas to readjust their production structure according to the principle of integration of foreign trade, industry, and agriculture, to grow more industrial crops for export, and, in particular, to vigorously encourage township and town enterprises to develop export-oriented economy and import some grain with part of their foreign

exchange revenue. For the whole country, it is also reasonable to import or export some grain in light of each year's harvest, or import certain types of grain as a regulatory measure.

III. Develop Science and Technology to Increase the Productive Forces [subhead]

Starting from China's national conditions, we must take the development of science and technology and the raising of the per unit area yield as our basic principle for grain production.

1. We must make great efforts to incorporate new technology, say, the application of chemical fertilizer, plastic film for agricultural use, agricultural machinery, and agricultural chemicals, in agricultural production; and we must continue to expand water conservation construction, so as to raise the per unit area yield and make up our deficiency due shortage of farmland with the application of modern technology.

Under the present conditions, chemical fertilizer is the most effective factor for raising grain output. In general, applying a kilogram of chemical fertilizer will bring about an additional 2 to 3 kilograms of grain. The result will be even better if more compound fertilizer is applied and different types of fertilizer are applied according to certain formulas. The plastic film farming technique has developed quite fast in recent years. Surveys conducted in some areas in the northwest, north China, and the northeast show that the application of plastic film and the use of appropriately selected fine seeds can raise the grain output by 30 to 50 percent or even higher, and can also help to stabilize the grain output. As the plastic film farming technique can bring good economic results, the peasants have readily accepted it, calling it the "white revolution." We must continue to develop the construction of agricultural infrastructure, actively build water conservation facilities, expand the irrigation area, and strive to transform several ten million mu of medium- and low-yield farmland in the next decade. At the same time, we must also pay attention to developing China's traditional intensive farming technique and, in particular, explore an effective way to tap the potential of farm manure.

2. We must tap the potential out of the crop mix. For example, by growing more high-yield corn and rice in those places in north China with more rainfall and with irrigation facilities, we will be able to raise the grain output considerably; in other areas in north and northwest China with little rainfall and scarce water resources, popularizing dry-land crops and increasing the growing area of varieties of crops which need less water and which can endure drought will help to overcome the deficiency in natural conditions and raise grain output; and, in the paddy-field areas in south China, we may choose some suitable farmland to grow corn for a period every year, this measure will increase the output of

forage crops and, by the way, such a system of rotational wet and dry farming can help to improve the composition of soil and save water as well.

3. We must develop new technology that matches with the current productive force level, with the aim of raising the grain output by about 50 percent through scientific and technological enhancement by the turn of the century. We must unremittingly make breakthroughs in the development of fine varieties and growing techniques, scientific application of fertilizer, the prevention of insect pest, basic scientific and technological research, and the popularization and application of new scientific and technological achievements. To sum up, in order to raise our productive forces to a new level, we must attach strategic importance to the role of grain production in the development of the whole national economy, work out an overall development strategy, give fuller play to the peasants' initiative in growing grain, explore new frontiers of science and technology, and increase investments in all fields.

4. In economically developed coastal areas and the suburbs of large- and medium-sized cities, it is necessary to develop moderate-scale operation and to more effectively popularize new results of scientific and technological research. The output-related system of contracted responsibility on the household basis has replaced egalitarianism characterized by the practice of "eating from the same big pot" and has given full play to the peasants' initiative. What is more, the introduction of such a system has laid down a foundation for the further development of a moderate-scale economy, as it has made the recombination of production factors possible. From now on, we must on the one hand vigorously develop township and town enterprises and facilitate the flow of labor force out of agriculture; and, on the other hand, we must build up and improve a socialized service system. Then, on this basis, scale operation will be developed. Without a massive inflow of labor force into industries, commerce, and service trades in rural areas, the modernization of agriculture will be impossible. In the wake of the massive flow of labor force, we must expand the scale operation of agriculture in good time, otherwise the development of productive forces will be hindered.

IV. Actively Guide the Making of the Grain Consumption Pattern [subhead]

In the past, we devoted more efforts to the study of grain production and marketing. Today we must also make efforts to study grain consumption. From 1984 to 1986, the whole country's annual grain consumption increased by 45 billion kilograms, implying an annual growth of 15 billion kilograms. Of this increase in grain consumption, only several billion kilograms are devoted to grain ration, which rose mainly because of the increase in population. The rest of the increase in grain consumption was mostly consumed as forage and raw material for

wine brewage. In those 3 years, as each Chinese consumed an additional 4 to 5 kilograms of meat a year, the consumption of forage grain increased by 25 billion kilograms accordingly. Thus it can be seen that in the future the increase in food consumption will mainly be related to the consumption of meat—it will be a problem relating to forage grain rather than grain ration. The excessively high growth in the demand was one of the reasons why grain was in short supply again in the past 2 years. Since the shortage of agricultural resources cannot possibly be changed in the near future, China will not be able to withstand the long-standing pressure arising from such a high growth in consumption which exceeds the growth in grain output. At present, as the Chinese people are undergoing a transition from bare sufficiency to a well-to-do living standard, an early solution to this problem is of still greater importance.

It must be pointed out that non-staple foodstuff, such as meat, eggs, and vegetable, were again in short supply last year. One of the important causes for this was the rapid economic development which led to an improvement of the people's livelihood. This could be regarded as a byproduct of progress. Another important cause was the failure to act according to the law of value. The rise in the prices of meat and eggs was due to the raising of the prices of forage grain, while the slight fluctuation of grain production in the past 2 years was mainly due to the policy on prices and the insufficiency of investments. In moderately keeping down the growth in grain consumption, we are not aiming at lowering the food consumption level. In fact we still have to try to gradually improve the people's living standard. The current problem is that the food consumption level has been going up too fast in our country and there are many wasteful phenomena. Therefore we must facilitate the making of a rational consumption structure by actively guiding consumption. Such a consumption structure should be more favorable to healthy economic development, as well as to the improvement of the people's living standard and the quality of their livelihood.

With regard to China's diet pattern, nutritionists unanimously agree that vegetarian foods should make up the major part of the diet, while the portion of meat protein should be gradually but not drastically increased. In studying the diet, we definitely must take the actual circumstances of China into consideration. In light of the potential of the farmland in China, the country's economic strength, and its population development trend, a per-capita grain consumption at 400 kilograms a year will be rather high for China. While maintaining such a quantitative standard, we must strive to improve the food quality. But, in light of the current development trend, as now the per-capita grain consumption for 35 percent of the population in 10 provinces and municipalities has already exceeded 400 kilograms, the standard of 400 kilograms of grain for each person will probably be a little bit low by the turn of the century. For this reason, we must on the one hand make arrangements in advance, trying our best to produce more grain; and,

on the other hand, properly guide the making of a reasonable consumption pattern and develop a scientific nutritional diet which mainly consists of grain as the staple food and meat, eggs, and milk as the non-staple. An analysis made by the department concerned indicates that the current average diet in China already can provide more than 2,400 kilocalories, enough to meet a person's normal need. Of course, we should continue to improve the people's livelihood and develop a more reasonable diet pattern. The portion of meat protein should also be increased gradually but not drastically. In light of China's circumstances, we should also grow more soyabean, expand the production of forage and meat, and promote the production of high-protein eggs which consumes less forage grain as well as the production of aquatic products so that they will finally account for 30-40 percent of meat consumption. In addition, we must appropriately bring the regulatory role of the price policy into play and lift restrictions on the prices of meat step by step, so as to keep down the growth rate of meat consumption and promote the development of animal husbandry. The consumption of alcoholic beverage made from grain should be discouraged by raising the tax rate. Correctly guiding the grain consumption by the means of propaganda and education and through economic policies, and formulating a food-saving diet pattern according to the scientific and nutritional principle are yet another basic national policy for China.

V. The Reform of the Grain Circulation Structure [sub-head]

For the time being and for a certain period in the future, we will have to solve three major problems.

First, it is necessary to guide production and circulation and to raise the state procurement prices of grain according to the law of value. In 1984, China had a record harvest of grain. Due to insufficient storage capacity, peasants in many places found it difficult to sell their crops. As a considerable stock of imported grain had been accumulated several years down, the state grain department was forced to dump grain at low prices. As a result, the prices of grain on the market dropped to a record low level. In 1985, as the state suspended the measure of additional prices for excess-of-quota purchase of grain but adopted the new measure of "inverse 3:7" price ratio [all state purchases of grain would be based on a composite of 30 percent of the former state monopoly purchase price and 70 percent of the former excess purchase price], the income of most new commodity grain producing areas was reduced. Due to these two factors—the difficulty in selling grain and the decline in both the market price and state procurement price, both the grain growing area and the investment in grain production were reduced sharply in 1985. This in its turn resulted in a substantial decrease in the grain output. This is indeed a profound lesson. As grain production needs more investment, the productivity in grain production is lower than that in industrial production. The prices of grain have always been low in China.

The price indices have risen across the board in the past few years, and the prices of capital goods, in particular, have risen considerably. Now that the production cost has increased, the prices of grain should be raised accordingly so that the increase in the cost of grain production can be compensated and the peasants can set aside part of their profits for expanding reproduction. To raise China's grain output by one more step upward or, to be more precisely, by another 100 billion kilograms, we must make full use of the grain price as an economic lever, ensuring that the grain growers' income will match with the industrial crop growers' income and that the peasants in commodity grain production bases who have made great contributions to the state will have a higher income. The state's price policy must help to promote production and inhibit consumption. In the process of industrialization, one will be able to ensure that grain will be circulated under the guidance of the law of value, only if the prices of grain are raised continuously according to the rising price indices as a whole. In this respect, no country can be exceptional. While the state is to regulate grain prices, every province, municipality, or autonomous region can make policies on its own. Guangxi, Zhejiang, and Fujian already raised grain prices last year, and their decision has boosted grain production.

The second problem is the perfection of the "double-track system" regarding grain procurement. In the past 2 years, the system of state monopoly for the purchase and marketing of grain was replaced by a "double-track system" which integrates "purchase by contract" with market regulation. This is an important reform which can play an important part in improving the circulation of grain and in boosting grain production. But it has given rise to another new problem—under the "double-track system," the price of grain covered by the procurement quota is too low, while the proportion of grain purchase not covered by the quota is too small. In consequence, peasants in many areas did not show much interest in grain production. The circumstances in our country require that this "double-track system" will continue for perhaps quite a long time. So the vast number of peasants will have to earnestly perform their obligation and make contributions to the state by fulfilling their "grain purchase contracts." At the same time, it is also necessary to appropriately raise the grain procurement price and, in particular, to earnestly lift all restrictions on the sale of the portion of grain that is not covered by the procurement quota, so that grain growers will be able to get more benefits from sale of grain on the market and will show greater initiative in grain production.

The third problem is related to grain marketing—the proportion of low-price grain procurement must be reduced. At present, the grain procurement price is low, but the grain marketing price is still lower. This discourages grain production while encouraging consumption and waste. Moreover, it increases pressure on the financial sector. Now the state has to pay more than 20 billion Yuan as subsidies for the procurement and marketing of

grain and farm products. It cannot bear such a burden forever. Therefore, we must first reduce the proportion of low-price grain for industrial use, especially the grain for brewage, as well as the proportion of low-price forage grain. Of course we must ensure the supply of grain ration to urban residents. But some existing unreasonable practices must also be dealt with. Many people have suggested that the grain supplied to urban areas be divided into two categories. The first category is the low-price grain consisting of products of varying quality marketed according to well balanced quotas and supplied to the consumers at list prices, with the aim of guaranteeing the everyday need of people with middle or lower income. The second category is the market-price grain consisting of quality products marketed at high prices. The proportion for low-price grain will be gradually reduced and that for market-price grain be increased, in the wake of the rise in the consumption standard. Some countries have replaced the method of universal subsidies for the whole population with the method of state granted subsidies for grain supply to people within the lower income bracket, and the results are encouraging. Their experience is worth being taken for reference.

VI. Regional Policies [subhead]

Since China has a vast territory, different parts of the country have different natural resources and different economic conditions, and the potential for grain production varies from place to place. The state should draw up regional policies in light of these different circumstances. Judged from their conditions, China's provinces and municipalities can be divided into the following three types.

The first type consists of provinces which are fully self-sufficient or basically self-sufficient in grain. These provinces have favorable conditions and an enormous potential for grain production. They should continue to actively develop grain production, depend on themselves for grain supply as they used to do, appropriately increase their grain reserve in years of good harvests, and maintain normal supply of grain through proper market regulation in years of serious disasters.

The second type consists of provinces and autonomous regions that need to import grain. With a large population and scarce land, or suffering from very poor conditions for production, these provinces and autonomous regions have a deteriorating ecological environment. While they still should vigorously develop grain production based on their own conditions, for a certain period the state will have to adopt the policy of fixed grain import quota and allow local authorities to keep the extra portion of locally produced grain at their disposal. If they go short of grain, the amount short should be made up through purchase of grain from the market. In

case of serious disasters, the state is to give some aid. In brief, the state should help these provinces and regions improve their ecological conditions so as to bring about a fundamental change.

The third type consists of commodity grain producing provinces with favorable conditions and enormous potential for grain production. The areas of this third type are mainly located in three parts of China, namely, the Huanghuaihai Plains, the northeast plain, and the Hunan, Hubei, and Jiangxi lake area and red-soil low-level hilly zone. These commodity grain producing bases are now exporting grain and have the potential for further development. Besides, some irrigated agricultural areas, including Xinjiang, the Hexi Corridor, and the front and back Hetao areas, also have a great potential for growth in grain output and may play an important role in solving the issue of grain supply to the northwest. The state should give particular support to these areas in their efforts to promote grain production, help them to acquire necessary investments and capital goods, work out appropriate policies and system, and make sure that they can score satisfactory economic results through export of commodity grain, thus turn their favorable conditions in natural resources into economic advantages. Grain production will develop more rapidly so long as both local authorities' initiative in developing grain production and the peasants' initiative in raising grain output are brought into full play.

Tougher Railway Law Expected Within the Year
HK150643 Hong Kong ZHONGGUO TONGXUN SHE
in Chinese 1425 GMT 12 Apr 88

[Report by Zou Zongbin (6760 1350 1755): China Is Expected To Enact a Railway Law Within This Year"]

[Text] Beijing, 12 Apr (ZHONGGUO TONGXUN SHE)—An official of the Ministry of Railways disclosed that preparations are being busily made for the legislation of railway transportation; and a "railway law," which started to be drafted in 1983 and has been revised for several times, is expected to be promulgated by the State Council this year.

The official also said: In May or June the Ministry of Railways is to hold a work conference on safe driving, studying the existing problems, adopting countermeasures and "discussing how to bring about a tremendous upswing in safe driving."

He continued: Railway traffic safety should be ensured in a comprehensive way. There are various factors answering for the four major railway accidents this year. First is sabotage by retarded children; second is hazardous goods carried by passengers; and third is violation of traffic regulations. The factors which traced to a most recent accident are being analyzed by experts. But the vital factors are believed to be the poor quality of railway personnel and the ageing of equipment. He also said: With the development of the commodity economy,

recruiting qualified railway personnel becomes more and more difficult. Meanwhile, the ever-increasing freight volume of the railways, insufficient investment in railway building and obsolete equipment are also the prominent factors which breed accidents.

For example, he said, at present, inflammables, explosives and dangerous cargos are still checked by men at a large number of railway stations. If these railway stations are equipped with modern electronic apparatus and passengers are checked as at airports, then inflammables, explosives and dangerous cargos can be easily discovered.

Moreover, at present the railways throughout the country should transport 3 million passengers a day but in fact their capacity admits only 2.65 million. Some hot railway lines sometimes exceed their transport capacity by 100 percent. In order to meet the needs of ever-increasing passengers, carriages of passenger trains are sometimes increased from 12 to 20. Even so, the numbered needs of passengers can hardly be filled. Meanwhile, the country's through expresses have to transport 500,000 passengers a day but their transport capacity is limited only to 400,000 passengers. Such a serious over-load certainly makes it difficult to disperse passengers in time in case an accident occurs.

He also said: With the development of the commodity economy, large numbers of floating peasants and sharp increase of cargo transport have created a powerful impact on the railways. For example, in order to disperse a floodtide of laborers going from Jiangsu to northeast China for public projects, the railway branch of Nanjing Station was once compelled to mix two ordinary trains into one special train to transport them to their destination.

The Ministry of Railways is now getting busy with the problems of poor quality of railway personnel, serious overload of passengers and obsolete equipment. Seven cast-iron regulations to ensure safe-driving of passenger trains have been enforced. Emphasis is specially placed on the two regulations preventing "rash advance" and "misleading by switch signal" which cause a widespread threat to safe-driving. Some measures which cannot guarantee safe-driving have been corrected and improved.

To update equipment for safe-driving, the Ministry of Railways has gathered forces to tackle key problems such as the automatic train stop system with speed measurement, record of vehicle operation, track inspection, test of axle behavior and an alarm device for accidents.

New Railway Will Open Shorter Trade Route
HK180811 Beijing CHINA DAILY (BUSINESS
WEEKLY SUPPLEMENT) in English 18 Apr 88 pp 1, 2

[("Special to Business Weekly" by Wang Xiangwei:
"Northwest Railway Could Open Shorter Trade Route")]

[Text] Construction of a new railway line is under way in the Xinjiang Uygur Autonomous Region which would extend China's railroads from the port city of Lianyungang in Jiangsu Province on the east coast to the Sino-Soviet border at Ala Mountain Pass in the northwest.

Scheduled for completion in 1990, the 224-kilometre line, the only missing link in the route across east and northwest China to the border, would be able to merge with the new Siberian railway in the Soviet Union, forming the most convenient land route across the Asian and European continents.

With extensive Soviet railways already linking up to other European countries, China would be able to ship its commodities directly from its inland cities and ports on the Pacific Ocean to Rotterdam, Holland on the Atlantic Ocean, where they could be carried to others parts of the world.

The so-called Trans-Siberian Road would be China's third railway link with the Soviet Union. It is estimated that the line would cut the shortest existing distance by about 2,000 kilometres.

The two existing lines, one through Heilongjiang Province and the other through the Inner Mongolia Autonomous Region and the People's Republic of Mongolia, are used mainly for Sino-Soviet trade and passenger transport.

China has used the lines to send container cargo to European countries. More than 9,000 containers carrying around 100,000 tons of goods were shipped along the Soviet railways last year.

But Chinese officials say transport on the existing lines port, China could move more of its imports or exports along the new railway to or from Rotterdam for further transit.

The new route, estimated to be half as long as the water route through the Indian Ocean, could cut transportation costs by 20 percent, they estimated.

Some officials who support the plan said the new land route would facilitate exports from the Chinese provinces and regions along the line, which traverses six provinces and autonomous regions covering 3.6 million square kilometres with a population of more than 200 million.

Abundant in mineral resources, the areas are key producers of coal and major manufacturers of exports such as minerals, fur and leather.^h

Also in these areas, the textile, oil, metallurgy, excavation, machinery and building materials industries have strong bases, opening up possibilities for cooperation with foreign countries.

Some officials also said China could use the railway as another tourist attraction for people wanting to travel across two continents through Central Asia.

However, the plan is not without its flaws and opponents.

The railway gauge on each side of the border is different. China uses standard track while the Soviet Union uses a wider one. Currently, goods crossing the border have to be unloaded and reloaded at the joints of the existing lines, and the same would be true with the new one.

Some Chinese transport officials argued that the new railway would not be able to realize its aims. They pointed to the already strained railway transport system in China.

"Most of China's transport facilities—especially locomotives and railway cars—are old. The transportation system is also not managed satisfactorily, which can lead to potential dangers," one of them said.

They cited examples of recent railway disasters caused by dereliction, mismanagement, and other human mistakes.

Stamps To Mark Hainan Province Establishment OW181258 Beijing XINHUA in English 1230 GMT 14 Apr 88

[Text] Beijing, April 14 (XINHUA)—The Chinese Ministry of Posts and Telecommunications will issue a set of four commemorative stamps on April 20 to mark the establishment of Hainan Province.

Hainan, the second largest island of the country, covers an area of 34,000 square kilometers with a population of 6.05 million including 960,000 people of various ethnic groups.

Located in the torrid zone, the island is rich in resources and rainfall. The establishment of the province was approved at the First Session of the Seventh National People's Congress which concluded yesterday.

The stamps, with face values of eight-fen, 10-fen, 30-fen and 1.10 yuan respectively, feature scenes of the Wuzhi Mountains (the highest on the island), the Wanquan River, Tianyahaijiao (the ends of the earth), and Luhuitou (the deer turns its head), all being tourist attractions on the island.

East Region

Fujian Foreign Contracts Increase Over 1987

OW181404 Beijing XINHUA in English 1137 GMT
18 Apr 88

[Text] Fuzhou, April 18 (XINHUA)—East China's Fujian Province concluded 1,650 supplied material processing and assembling contracts with foreign firms in the first quarter of this year, up 57 percent over the same period last year.

An official of the provincial Foreign Economic Relations and Trade Commission said here today that these contracts involved 41 million U.S. dollars, a 110 percent increase over the same period last year.

The official attributed such good results to local governmental efforts to provide preferential treatment in line with local conditions, simplifying formalities for foreign investment and conducting direct business talks in Hong Kong, Macao and Shenzhen in Guangdong Province.

Wan Shaofen Inspects Fuzhou Prefecture

OW172356 Nanchang JIANGXI RIBAO
in Chinese 4 Apr 88 p 1

[Excerpts] On the eve of the Qingming Festival, sowing and cultivation of rice seedlings were in full swing in Fuzhou Prefecture. On 3 April, provincial party committee Secretary Wan Shaofen arrived to inspect spring farming in Fuzhou Prefecture. Satisfied with the spring farming there, she gave some instructions on certain problems concerning grain production reported to her by local cadres. She pointed out: It is necessary to energetically develop a diversified economy and town and village enterprises, and help peasants in the province become well-to-do as soon as possible on the basis of a stable grain production.

Fuzhou Prefecture is a major grain-producing region in Jiangxi Province. In 1987, its total grain output was 2.01 billion kilograms, its per unit area yield was 621 kilograms, and both the per unit area yield and the per capita amount of grain ranked first in the province. [passage omitted]

In the afternoon, Wan Shaofen attended a meeting of Fuzhou Prefecture on strengthening rural reform, listened to participants' opinions, and delivered a speech. [passage omitted]

Some comrades from major grain-producing counties, such as Linchuan, Jinxi, and Nanfeng, told Wan Shaofen during the meeting that because of current agricultural structure and prices, some peasants display less enthusiasm for growing grain than they do for growing industrial crops and engaging in the tertiary industry. Wan Shaofen said: Comrade Li Peng has pointed out in the Government Work Report at the ongoing First Session of the Seventh NPC: "A steady growth of agriculture,

particularly the grain production, is the basis for a long and steady development of the national economy as a whole." We must not have any doubt about this and should first stabilize the grain output. However, it is not enough to rely on grain production alone to increase peasants' income. I agree with you. We should make great efforts to develop a diversified economy. We should also grow hemp, flax, mulberry, orange, lotus, tobacco and asparagus; and raise chicken, ducks, geese, pigs, cattle, sheep, and rabbits. We should grow and raise whatever we can, and produce anything marketable. [passage omitted]

Wan Shaofen also inspected the scientific and technological market and agricultural market in Linchuan County, chatted with local people, and viewed the products of the Linchuan County blue and white porcelain plant—whose products are modelled after antiques and are internationally famous.

Jiangxi Official at Briefing on Pricing Reform

OW180008 Nanchang Jiangxi Provincial Service
in Mandarin 1100 GMT 15 Apr 88

[Excerpts] The Jiangxi Provincial CPC Committee and people's government held a briefing on reform of the pricing system on the morning of 15 April. Some 600 retired cadres of departmental and bureau level and higher in Nanchang were briefed on the reform of the pricing system in Jiangxi Province.

Wu Guanzheng, deputy secretary of the provincial party committee and governor of Jiangxi, presided over the briefing. Liu Fangren, deputy secretary of the provincial party committee, and (Mao Guangcheng), director of the provincial Administration of Commodity Prices, reported on readjustment of some food prices and on initiation of an extra allowance for living expenses to workers and employees in Jiangxi in March this year. [passage omitted]

Wu Guanzheng spoke towards the end of the meeting. He cited examples to explain the inevitability of the reform of the pricing system in Jiangxi. He pointed out: Without price readjustment, it will be hard to arouse enthusiasm among peasants and enterprises for developing production. Without the price readjustment, it will be difficult for us to develop an export-oriented economy. Only by carrying out reforms and opening itself to the outside world can Jiangxi find a way to develop its economy, give vitality to its enterprises, and gradually make the people prosperous.

(Wang Taihua), member of the Standing Committee and director of the Propaganda Department of the Provincial Party Committee, attended the briefing.

Jiang Zemin Addresses Shanghai CPC Plenum
OW171717 Shanghai JIEFANG RIBAO
in Chinese 10 Apr 88 p 1

[Text] The Sixth Plenary Session of the Fifth Shanghai Municipal CPC Committee was held in the Shanghai Exhibition Center from 7 to 9 April. Sixty-three members and alternate members of the municipal party committee attended the plenary session. Present at the meeting as non-voting delegates were members of the municipal Advisory Commission and the municipal Discipline Inspection Commission, some members of the CPC Central Committee and its Advisory Commission and Discipline Inspection Commission residing in Shanghai, and responsible comrades of the municipal People's Congress Standing Committee, the municipal CPPCC Committee, and other departments concerned.

The plenary session was presided over by Jiang Zemin, secretary of the Shanghai Municipal CPC Committee; and by Yang Di, Huang Ju, Wu Bangguo and Zeng Qinghong, deputy secretaries of the municipal party committee.

The session examined and approved a namelist of candidates for leading posts in state organs in Shanghai and a namelist of candidates for leading posts in the municipal CPPCC Committee. The two namelists were put forward by the Standing Committee of the municipal party committee after comprehensive consultations inside and outside the party. The plenary session decided to recommend the first namelist to the presidium of the First Session of the Ninth Shanghai Municipal People's Congress, and the second namelist to the presidium of the First Session of the Seventh Shanghai Municipal CPPCC Committee.

During the plenary session, the comrades present discussed the namelists in a thorough, serious, and responsible way in an atmosphere of democracy and unity.

Jiang Zemin, secretary of the Shanghai Municipal CPC Committee, delivered an important speech on the present work to the plenary session. He said: The Ninth Shanghai Municipal People's Congress and the Seventh Municipal CPPCC Committee will hold their sessions and elect their new leadership soon. This will be an important event in the people's political life in Shanghai. The party organizations at all levels should ensure that the municipal People's Congress and the municipal CPPCC Committee do a good job in electing their new leadership.

He pointed out: A pressing task for the party organizations at all levels in Shanghai at present is to make great efforts to develop production and stabilize the economy. If the economy is unstable, it will be very difficult for us to carry on the reforms. If the reforms are not deepened, we will be unable to stabilize the economy either. For this reason, we should pay great attention to enterprise management and labor discipline, tap the potential of enterprises, bring into full

play the initiative of the workers and staff members, produce more marketable "well reputed products," strive to increase production, expand the market, ensure the supply of raw and processed materials, and do all we can to promote production.

Comrade Jiang Zemin said: Shanghai's basic way out is to take active part in international market competition. The municipal party committee urges all communists in Shanghai to have a stronger sense of urgency and responsibility for the development of an export-oriented economy, so that Shanghai will make substantial progress in this regard. We should emancipate our minds, adopt new ideas, and work in a down-to-earth way simultaneously. We should implement well all policies concerning the reform of the foreign trade system, promote the application of science and technology in economy, and give full play to the great role of science and technology in developing an export-oriented economy. At the same time, we should accelerate personnel training. In particular, we should spread the knowledge about an export-oriented economy among the cadres concerned and train a large number of specialized personnel to meet the needs of the development of an export-oriented economy.

Comrade Jiang Zemin emphatically pointed out: It is necessary to deepen the reform of enterprises and implement the system of contracted responsibility at all levels. Our task at present is to prevent a slack mood and make persistent efforts to promote the reform of the operational mechanism of enterprises in accordance with the principle of completion, improvement, deepening and development. We should constantly improve the economic responsibility system in enterprises and divide the contracted responsibility at various levels. We should actively adopt effective management methods, improve the party work and the ideological education among workers and staff members, and make the contract system play an even greater role. We should introduce the competition mechanism to select and train a number of enterprise management personnel. The contracted jobs assumed by districts and counties should be further divided among grass-roots units and enterprises.

On the reform of the political structure, Comrade Jiang Zemin said: We should put the emphasis on four tasks this year. One is to deepen the reform of the enterprise leadership structure. Next is to conduct a good experiment at selected enterprises on turning the enterprise party organizations into dependent organizations [gao hao qi ye dang zu zhi shu di hua di shi dian gong zuo 2269 1170 0120 2814 8093 4809 4930 1466 0966 0553 4104 1562 0155]. The third is to conduct serious surveys and research on organizational reform. The fourth is to institute and gradually perfect the system of consultation and dialogue.

Comrade Jiang Zemin also emphasized the necessity of stepping up the building of spiritual civilization and party organizations in the course of reform and opening

to the outside world. He held that the whole party should have a sense of urgency towards the building of spiritual civilization, learn new methods for doing ideological and political work in an environment of reform and opening to the outside world and under the conditions of commodity economy, and create a new situation in which the ideological and political work is done by the whole party and the whole society. He pointed out: Under the new circumstances, we should keep and carry forward the party's fine traditions, be strict with party members while emancipating our mind, carry out anticorruption education among party and government cadres, and establish necessary supervisory and inspection systems. The party's discipline inspection departments should have the courage to deal with corruption in the party and resolutely expel any degenerates from the party.

Comrade Jiang Zemin called on the party organizations at all levels in Shanghai to strive to implement the guidelines of the 2d Plenary Session of the 13th CPC Central Committee and make new achievements in promoting Shanghai's reforms, opening to the outside world, economic stability and development, and the building of spiritual civilization and party organizations.

Shanghai Moves To Cut Down Traffic Accidents
*OW190540 Beijing XINHUA in English 1318 GMT
16 Apr 88*

[Text] Shanghai, April 16 (XINHUA) — Shanghai is to institute a responsibility system for traffic officials to cut down the number of traffic accidents, said Qian Xuez-hong, deputy mayor in charge of transport.

Those who are diligent in their jobs will be given awards, the deputy mayor said. The city will also tighten traffic regulations, including banning those who drink and drive and those who drive without a licence. Roads will be widened.

Last year, Shanghai had the highest number of fatal traffic accidents than any other city in China. Qian said 810 people were killed, an increase of one-fifth over the previous year. There was also a sharp increase in the number of injuries.

He said the increases were due to more vehicles, more people travelling in cars and poor roads. At the end of last year, the city had 175,100 motor vehicles and 4.9 million bicycles. In addition, 15,000 vehicles from outside Shanghai use the city each day.

Zhejiang Workers Active in Price Control
*OW190406 Beijing XINHUA in English 1450 GMT
18 Apr 88*

[Text] Hangzhou, April 18 (XINHUA) — Seafood lovers in Ningbo, a coastal city in south China's Zhejiang Province, were recently complaining about recent price increases.

In response to their discontent, price supervisors from among workers made investigations on the market, reported the case to the city government and raised suggestions on how to deal with the price hikes.

The government took immediate measures on price control and the market price were soon returned to normal.

Now more than 80 percent of Zhejiang's cities and counties have set up price supervision teams organized by workers, which are getting results in keeping prices down.

Affiliated with factory trade unions, these teams aim to protect the rights of the state, producers, managers and consumers by better coordinating market activity.

Local governments are taking an interest in these teams, like some officials from Jiaxin City who were invited to participate in discussions with the worker-supervisors, and have since helped solve pricing problems.

Zhejiang's price supervisors now keep consumers up to date on provincial price adjustment policies and make consumer demands known.

Zhejiang City Simplifies Foreign Investment
*OW190018 Beijing XINHUA in English 1054 GMT
18 Apr 88*

[Text] Ningbo, April 18 (XINHUA) — The port city of Ningbo, just south of Shanghai, has simplified governmental regulations in order to draw more foreign investment to the area, according to a local official.

The city government has set up special offices in one building to deal with the approval of foreign investment in the city, the official said, adding that all the formalities can be conducted in this single location.

"It's much more convenient for businessmen to work in Ningbo now," said Yu Shaowen, a deputy-director of a Macao textile company.

Yu said it only took two-and-a-half months for his contract to be approved by the city administration. The contract was for the establishment of a joint venture textile enterprise in Ningbo.

The official said such cases previously required a year before approval was granted.

Ningbo is currently home to 45 foreign-invested enterprises, with investments totalling 64 million U.S. dollars.

Central-South Region

Guangdong Leader Stresses Discipline Inspection HK180809 Guangzhou Guangdong Provincial Service in Mandarin 0300 GMT 18 Apr 88

[Text] A Guangdong provincial conference on discipline inspection work opened this morning in Guangzhou.

Responsible comrades Lin Ruo, Wang Ning, Guo Rongchang, and Luo Tian attended the opening ceremony of the conference.

While conveying the spirit of the Second Plenary Session of the CPC Central Discipline Inspection Commission, Wang Zongchun, Standing Committee member of the provincial party committee and secretary of the provincial Discipline Inspection Commission, said: According to the tasks set for discipline inspection commissions during the new period, we must concentrate our energies on promoting the management of party discipline, and assist party committees in improving party style. The whole party must strengthen the sense of discipline, strictly handle party affairs, enforce party discipline, and ensure successful implementation of the party's line, guiding principles, and policies. Our discipline inspection work must be based on supporting and protecting reforms, with the purpose of promoting the policy on reforms and opening up as well as healthy development of our socialist modernization program. Party committees at all levels must treat the building of party style as an important item on their agenda, and ensure that their will be new progress of the building of party style and party discipline.

Over 400 people attended the conference, including members of the provincial Discipline Inspection Commission, deputy secretaries of party committees at the city, county, and district levels, secretaries of party discipline inspection commissions at the city, county, and district levels, as well as discipline inspection group heads and Discipline Inspection Commission secretaries from provincial units.

Company Expands Investment in Guangdong OW190402 Beijing XINHUA in English 1557 GMT 18 April 88

[Text] Panyu, Guangdong Province, April 18 (XINHUA)—The Hong Kong-based Lafe Holdings Limited, one of the world's leading manufacturers of magnetic heads for computers, declared today the opening of its major branch in Panyu County, Guangdong Province.

About 240,000 sq m of land in the county is leased to the Hong Kong company for establishing an industrial park with an operation term as long as 30 years, according to an agreement the company signed with the Chinese partner a year ago.

A ceremony was held on the site today to mark the completion of the first phase of construction comprising a two-storey factory block with a gross floor area of 11,000 sq m, which were completed in merely 120 days.

The entire project will consist of altogether four factory blocks, one dormitory and a technical institute. It will involve a total investment of 50 million Hong Kong dollars (6.4 million U.S. dollars).

"Most of Lafe group's labor intensive processing will be transferred to the new site after its final completion in mid 1989, and thus offer our customers quality products at more competitive prices," said Clifford Pang, chairman of the Lafe Holdings, who left Panyu, his hometown, as a child.

The Panyu factory now has employed 1,200 workers, with the majority from the county itself. About 100 people from the Hong Kong company are now helping their Chinese partners with management and techniques.

The new factory is somewhat a model of its parent company which has a workforce of about the same size, according to a manager of the Lafe Holdings. He said they are pleased with the high efficiency of their Chinese partners, adding they had met little difficulty in going through application procedures.

Guangdong City Begins Large-Scale Construction OW190122 Beijing XINHUA in English 1401 GMT 18 Apr 88

[Text] Guangzhou, April 18 (XINHUA)—Shantou City in Guangdong Province has embarked on a major infrastructural construction program, according to the mayor, Chen Yanfa.

The first priority is to expand the existing port at the city to allow it to accommodate ships of between 35,000 and 50,000 dwt. Other new projects for the city will include the construction of railways leading to Guangzhou, Meixian City and south Fujian, and the Shantou-Shenzhen special highway.

Work has begun on the construction of a thermal power station with a capacity of 600,000 kw. Counties under the city's jurisdiction are installing computer-controlled telephone facilities with a combined capacity of 13,000 lines. Last year, the city already put into service 12,000 lines in urban areas.

In the last 10 years, Shantou has tripled industrial and agricultural output from three billion yuan (811 million U.S. dollars) in 1978 to nine billion yuan (2.43 billion U.S. dollars) last year. Exports last year were 620 million U.S. dollars.

In the near future, he revealed, Shantou will develop 97 bases for export processing with a combined floor space of more than three million sq m, and 43 of them are now under construction.

There are more than 10,000 factories in the city engaged in export processing. These factories employ about one-third of the city's total workforce of three million.

By the end of last year, the city had signed 356 contracts involving a total foreign investment of more than 400 million U.S. dollars, of which nearly 200 are now operating.

Guangxi Cadre Meeting Relays NPC Guidelines
*HK180425 Nanning Guangxi Regional Service
in Mandarin 1030 GMT 17 Apr 88*

[Excerpts] The Guangxi Regional People's Congress Standing Committee convened a gathering of regional organ cadres in the Nanning Theater yesterday, at which the region's deputies to the First Session of the Seventh NPC relayed the guidelines of the session. Gan Ku, a deputy to the session and chairman of the regional People's Congress Standing Committee, presided. [passage omitted]

Cheng Kejie, a deputy to the session and vice chairman of the regional people's government, relayed the main guidelines of Premier Li Peng's Government Work Report. Comrade Cheng Kejie said: Premier Li Peng's Government Work Report had three distinctive characteristics: 1) The whole report embodied the guidelines of the 13th National Party Congress; 2) the report sought truth from facts in both affirming the achievements and reflecting the difficulties, shortcomings, and problems; 3) the report designated reform as the key in the overall situation; in particular, the five experiences it summed up in China's construction and reforms during the past 5 years are of great significance for guiding our work in the future.

Wei Chunshu, a deputy to the session and chairman of the regional people's government, introduced the activities of the Guangxi delegation in Beijing. He expressed the hope that the government at all levels and the people of all nationalities in the region will, in connection with the reality of their own areas and units, seriously implement the 10 major tasks for the next 5 years proposed in the Government Work Report, uphold the four cardinal principles, persist in reforms and opening up, and work in concert to make a success of all work in an effort to invigorate Guangxi's economy.

Chen Huiguang, secretary of the regional party committee, and others attended the gathering.

Guangxi Leader Addresses Song Festival Tea Party
*HK180510 Nanning Guangxi Regional Service
in Mandarin 1030 GMT 16 Apr 88*

[Excerpts] To joyfully celebrate the song festival of the Zhuang nationality, which falls on the third day of the third lunar month [18 April], the United Front Work Department under the regional party committee, the Nationalities Committee under the regional People's Congress, and the regional Nationalities Affairs Commission this morning held a tea party in the auditorium of the (Mingyuan) Hotel.

Attending the tea party were Chen Huiguang, Wei Chunshu, Tao Aiying, (Zhong Jiasuo), Wei Zhangping, Zhao Mingjian, and Cheng Kejie, leading comrades from the autonomous regional party and government organizations; Huang Yuyang, vice chairman of the regional CPPCC Committee, and Qin Yingji, member of the Central Advisory Commission. [passage omitted]

In his speech at the tea party, Chen Huiguang, secretary of the autonomous regional party committee, said: Through this annual song festival, we can further carry forward the fine cultural tradition of our Zhuang nationality, promote the building of our socialist spiritual civilization, and strengthen the unity of all nationalities throughout the region, with the purpose of making concerted efforts to promote the four modernizations as well as our Guangxi region's reforms, opening up, and economic construction. [passage omitted]

Chen Huiguang added: We must inspire enthusiasm, conscientiously implement the spirit of the 13th National Party Congress and the spirit of the First Session of the Seventh NPC, and do a still better job of promoting construction work and the unity of all nationalities in Guangxi.

Wei Chunshu and Qin Yingji also addressed the tea party.

During the tea party, Comrade Qin Yingji, Guangxi autonomous regional government Vice Chairman Cheng Kejie, and regional CPPCC Committee Vice Chairman Huang Yuyang joyously sang a Zhuang nationality folk song; and students from the Guangxi study class for vocalists of minority nationalities gave a theatrical performance.

Guangxi Meeting Greets Beijing Press Delegation
*HK180512 Nanning Guangxi Regional Service
in Mandarin 1030 GMT 16 Apr 88*

[Text] The Nanning prefectoral administrative office this morning held a meeting at the No 2 Guesthouse to warmly welcome a visiting Beijing press delegation and to brief reporters from the capital.

During the meeting, (Lou Biyuan), member of the Nanning prefectural party committee and deputy commissioner of the prefectural Administrative Office, briefed the reporters on Nanning Prefecture's geographical position as well as the prefecture's superior natural resources and economic development. He also briefed the reporters on the prefecture's tentative plan for implementing the strategy for economic development in coastal areas and some preferential policies aimed at encouraging foreign businessmen to invest in the prefecture.

Leaders from the relevant prefectural departments, committees, offices, and bureaus answered questions raised by reporters during the meeting.

Xing Yan, leader of the Beijing press delegation, also addressed the meeting.

Over 80 relevant leaders and news reporters attended the meeting.

Guizhou Meeting Stresses Discipline Inspection
*HK180658 Guiyang Guizhou Provincial Service
in Mandarin 2200 GMT 17 Apr 88*

[Excerpt] A 4-day provincial conference on discipline inspection work [which opened on 16 April] has noted: We must give the green light to discipline inspection work, enable all the cadres and people in our province to boldly carry out tasks that are advantageous to the development of productive forces, support reformers, encourage explorers, help wrongdoers, investigate and handle those who have violated discipline, and investigate and affix responsibility in cases of frame-ups.

During the conference, Liu Zhengwei, deputy secretary of the provincial party committee, delivered an important speech on the building of party style on behalf of the provincial party committee. Liu Hanzhen, secretary of the provincial Discipline Inspection Commission, conveyed the spirit of the Second Plenary Session of the CPC Central Discipline Inspection Commission and delivered a speech on further promoting this year's discipline inspection work on behalf of the provincial Discipline Inspection Commission Standing Committee.

The conference demanded that discipline inspection commissions at all levels conscientiously implement the spirit of the 13th National Party Congress, further emancipate the mind, expand their train of thought, sum up their experiences, inspire enthusiasm, further raise their work standards, and promote the building of party style under the new situation. [passage omitted]

Guizhou Leader Stresses Improving Party Style
*HK180652 Guiyang Guizhou Provincial Service
in Mandarin 2200 GMT 16 Apr 88*

[Excerpts] During a provincial conference on discipline inspection work, which opened yesterday [16 April] morning, Liu Zhengwei, deputy secretary of the provincial party committee, delivered a speech on party style, calling for appraising party style in a truth-seeking way and promoting the building of party style through reforms and opening up.

Attending yesterday's conference were Hu Jintao, Qiao Xueheng, Hu Kehui, Jin Feng, Liu Hanzhen, Wang Zhenjiang, Liu Yulin, Tang Hongren, Meng Sufen, and Zhang Jizhong, leading comrades from the provincial party committee, the provincial Advisory Commission, the provincial Discipline Inspection Commission, the provincial People's Congress, the provincial government, the provincial CPPCC Committee, and the provincial Military District; Comrade (?Yuan Dingzhong), member of the Central Advisory Commission, as well as party member-cadres at and above the departmental levels.

The conference was presided over by Comrade Liu Hanzhen, secretary of the provincial Discipline Inspection Commission.

On behalf of the provincial party committee, Comrade Liu Zhengwei delivered a speech entitled, "It Is Imperative To Promote the Building of Party Style Through Reforms and Opening Up."

In his speech, Comrade Liu Zhengwei first analyzed the provincial situation of party style, saying: The principal aspect of party style in our province is good. However, there are quite a few problems in this regard. A small number of party members and leading party cadres have disregarded party discipline and law, and have also shown serious unhealthy tendencies and corrupt practices, thus adversely affecting the images of the party and government and evoking strong repercussions among the masses.

Referring to ways to promote the building of party style in the province during the next stage, Comrade Liu Zhengwei stressed the following four points.

First, the building of party style must promote Guizhou's reforms and opening up. [passage omitted]

Second, it is imperative to ensure that the entire party pays special attention to party style. [passage omitted]

Third, it is imperative to enforce party discipline. During the process of promoting reforms and opening up, there is no way to avoid waging struggles against corrupt practices within the party. We must strictly manage party affairs, strictly enforce party discipline, and ensure that negative and corrupt factors within the party are reduced to a minimum. [passage omitted]

Fourth, it is imperative to strengthen discipline inspection work. [passage omitted]

Party committees at all levels must strengthen leadership over discipline inspection work, support discipline inspection work, and care for the building of contingents of discipline inspection workers.

Nine-Man Group in Charge of Hainan Province
HK160257 Beijing ZHONGGUO XINWEN SHE
in Chinese 0355 GMT 15 Apr 88

[Text] Haikou, 15 Apr (ZHONGGUO XINWEN SHE)—A nine-man group headed by Xu Shijie and Liang Xiang is in charge of party and government affairs in newly-established Hainan Province.

Until the secretary of the provincial party committee and the governor are formally elected, this organ, called the CPC Hainan Work Committee, will exercise their functions.

Three of the nine members of the group, which is appointed by the CPC Central Committee, come from Beijing. They are Liu Jianfeng, former vice minister of electronics; Bao Keming, former vice minister of aeronautics; and Xin Yejiang [6580 2814 3068], former director of the General Office of the Ministry of Forestry. It is understood that Liu Jianfeng is a computer expert. Bao Keming returned to China after studying in the Soviet Union in the 1950's, and Xin Yejiang has been in charge of higher education for many years.

Liao Enlu [1675 1869 4389], who is from Guangzhou, has been promoted and transferred to Hainan as a result of scoring notable success in attracting foreign investment while in charge of the Huangpu development zone.

Yao Wenxu, who was the no 1 man in Hainan during the "automobile affair," and Li-nationality cadre Wang Yuefeng rank fourth and sixth in the nine-man group.

The only professional military man on the team is Liu Guinan, currently political commissar of the Hainan Military District which guards the land and air boundaries of Hainan Province.

According to analysis, the principal leading members of the party committee, government, People's Congress Standing Committee, and CPPCC of China's 31st province will be selected from this group.

Hainan Leader Hails Establishment of Province
HK180629 Haikou Hainan Island Service
in Mandarin 1000 GMT 17 Apr 88

[Radio Talk by Meng Qingping, Member of the Preparatory Group for the Establishment of Hainan Province: "A Great Policy Decision of Historic Significance"—recorded]

[Excerpts] The First Session of the Seventh NPC was a major affair in the political life of the people of the whole country. [passage omitted] On its last day, the session approved a motion establishing Hainan as a special zone province. The establishment of Hainan as a special zone province has been desired by the people of Hainan for a long time; now this has finally been accomplished. The establishment of Hainan as a special zone province

embodies the kind attention of the CPC Central Committee and State Council for the people of all nationalities on the island. The Hainan special zone province will enjoy still more decisionmaking powers and preferential policies, which will speed up Hainan's development and construction and extricate the people of all nationalities from poverty and make them well-off at an early date.

The establishment of Hainan as a special zone province is a major affair for the people of Hainan and the whole country. This embodies the resolution of the CPC Central Committee and State Council to open up to the world and carry out reforms, together with the continuity and stability of the party's policies. This will have a profound impact on the implementation of one country, two systems after the recovery of Hong Kong in 1997 and of Macao. It will also help to achieve reunification of Taiwan with the motherland at an early date.

We wholeheartedly agree with and support the wise policy decision on establishing Hainan as a special zone province. Our task in the future will be to run Hainan as a pilot project in reforms for the country's 30 provinces, municipalities, and autonomous regions. The future Hainan Province must get a tight grasp of the core—developing the productive forces—and adhere to the guideline of promoting development by opening up and reform. We must establish a socialist market economy and build Hainan Province at an early date into a large export-oriented and Chinese-style special zone with industry as the guide, simultaneous development of industry, agriculture, and trade, relatively well-developed [word indistinct] sectors, and a variety of economic components.

Hainan Province Speeds Port Construction
HK180553 Beijing ZHONGGUO XINWEN SHE
in Chinese 0408 GMT 18 Apr 88

[Text] Haikou, 18 Apr (ZHONGGUO XINWEN SHE)—Hainan Province, China's largest special economic zone, is currently spending vast sums on port construction, in order to form a marine transport network as soon as possible and give scope to the strong points of its island economy.

The island has initially mapped out a scheme for "seven ports on four sides," that is, two ports on the eastern side, three on the western, and one each on the northern and southern sides. Investment in these seven large ports will exceed 500 million yuan in the next 3 years.

This port construction scheme complements Hainan Province's economic development plans. With the future concentration of heavy industries such as oil, chemicals, and iron and steel in western Hainan, the ports of Macun, Yangpu, and Basuo there will have a total of more than 20 10,000-ton berths when their construction is complete. Yangpu, a fine deep-water port where work has already started on the first stage of construction, is planned to be the island's largest port and the main entry

and exit point in the future. At the same time, construction of the western railroad is being speeded up, so as to link these three large ports and facilitate the concentration and dispersal of materials.

There are many Overseas Chinese homes in eastern Hainan, which faces Southeast Asia, and there are great prospects for developing "three types of import processing and compensation trade" there. Qinglan and Wuchang ports which are being expanded there are relatively light-weight ports which focus on handling miscellaneous goods and container traffic. Qinglan port, located in Wenchang County, the largest Overseas Chinese area on the island, is the base for supplying the Xisha [Paracels], Zhongsha [Macclesfield Bank], and Nansha [Spratly] archipelagos. The ports of Haikou, located at the provincial capital, and Sanya, in the heart of a tourist area, will handle still more passenger traffic in and out of the island in the future.

Large-scale port construction in Hainan began in 1984, when Lei Yu was in charge of the government. New port construction and improvements and expansion of existing ports accounted for 9 of the 24 key construction projects launched at that time. By the end of last year, the annual freight-handling volume of all ports on the island had reached 7.5 million tons, and the situation of "pressure on ports, on ships, and on cargo" had been basically eliminated. To greet the new upsurge of developing Hainan, the seven port construction projects have been listed as the most important construction projects on the island.

Henan Radio Urges Meeting Economic Challenge
*HK190157 Zhengzhou Henan Provincial Service
in Mandarin 2200 GMT 18 Apr 88*

[Henan Radio and Television News Center Commentary: "Seize the Opportunity and Meet the Challenge"]

[Excerpts] At the provincial conference on township and town enterprises, in view of the institution of the coastal-economic-development strategy, the provincial party committee and government lost no time in proposing to all areas and departments that it is necessary to seize the opportunity and meet the challenge.

At present readjustments in the industrial structure are taking place on the international scene. Certain economically developed countries are shifting labor-intensive and high labor-consuming industries to countries and regions where manpower is cheap, and are expanding investment abroad. This presents an excellent international opportunity.

The national economy is an organic entity. In engaging in large-scale importing and exporting and extending the two ends outside, the coastal regions are bound to make some domestic markets and raw materials available for others. They can also provide a labor market for the interior provinces to increase their export of manpower.

We should seize this opportunity to develop lateral ties and cooperation with the coastal regions, with each learning from the other's advantages to offset its own weaknesses and giving scope to its own strong points. [passage omitted]

In the face of this opportunity, everyone is equal; if you do not seize it, someone else will. Many changes take place on the domestic and international markets, and there are many competitors around. No one is going to open the gate wide and ask us to enter. Instead, we must rely on our own efforts to enter.

We should realize that the technological and management standards, product quality, and competitive ability of the coastal regions are higher than ours. We must therefore have a sense of urgency and crisis, work hard to catch up, and meet the challenge. We must see our own strong points and favorable conditions, and also see those of others; we should have a clearer idea on the difficulties and do all our work still better. [passage omitted]

Henan Commentary Urges Conserving Farmland
*HK160717 Zhengzhou Henan Provincial Service
in Mandarin 2300 GMT 15 Apr 88*

[Station Commentary: "Strictly Enforce Land Management, Put a Stop to Indiscriminate Occupation of Farmland"]

[Text] Henan's farmland area has continually shrunk in recent years. The province's farmland area in the early post-liberation period was some 123 million mu. By 1986, it had shrunk to 104 million mu, declining at an average rate of 510,000 mu a year, thus losing the equivalent of Baofeng County each year. This is indeed a disquieting trend in Henan, a large province with a big population and little farmland, and where agriculture is the mainstay. It is our unshirkable duty to strictly enforce land management and protect the farmland.

The Land Management Law has been enacted for over 1 year now. Why is it still impossible to implement it in certain places? This should be seriously pondered by leaders at all levels and land management departments. The key to the problem lies in the fact that certain cadres use the power in their hands to take the lead in violating the state laws and policies and indiscriminately occupy farmland or approve its occupation in the name of themselves or their departments. This damages the foundation of agricultural economic development and also seriously affects relations between the party and government on the one hand and the masses on the other. The peasants, in particular, object strongly to such practices.

While publicizing and implementing the Land Management Law with great fanfare, we must resolutely ensure that the law is strictly followed and that violators are prosecuted. Only thus can we effectively protect our farmland.

Hunan Delegates Special Powers to Hengyang City
HK170309 Changsha Hunan Provincial Service
in Mandarin 2200 GMT 16 Apr 88

[Text] The provincial party committee and government have decided to treat Hengyang City as one of the conduits linking reforms and opening up in Hunan with those in the coastal regions. Chen Bangzhu, member of the Standing Committee of the provincial party committee and vice governor, recently led responsible persons of provincial departments concerned to Hengyang to do some work on the spot. He announced specific ways in which the provincial authorities are delegating powers to the city and relaxing policies for it.

Beginning this year, the provincial authorities will institute a financial system for Hengyang City of turning over a fixed amount of revenue with responsibility for progressive increases. In grain, the city will implement a system of taking responsibility for all financial matters in procurement, sales, and shipments. In foreign trade, the city will implement the method of taking responsibility for strips and slices.

It has also been stipulated that the city will enjoy provincial-level jurisdiction in certain fields such as taxation and price controls. The policies for the city will be made still more flexible.

While working in Hengyang, Chen Bangzhu pointed out that the city should play a radiating role as the key city in the southern Hunan experimental area. He also feels that the city should apply flexibly and well the policies allowed it by the central and provincial authorities. It should strengthen macroeconomic regulation and control. It should delegate to the counties, districts, and enterprises those specific policies that should be delegated to them. The city should base its efforts on tapping internal potentials and strengthen its sense of responsibility and urgency. The city should ride the east wind of reform to promote its economy as quickly as possible.

Southwest Region

Yunnan Holds Election Consultative Meeting
HK190217 Kunming Yunnan Provincial Service
in Mandarin 1000 GMT 18 Apr 88

[Excerpts] The Yunnan Provincial CPC Committee held a democratic consultative meeting of people from various circles today to discuss the elections of the new provincial People's Congress, government, and CPPCC at the forthcoming provincial People's Congress. Pu Chaozhu, secretary of the provincial party committee, presided. [passage omitted]

The provincial party committee has already done a great deal of work regarding the election of the leaders of these three bodies. In accordance with the CPC Central Committee's principles and regulations on such elections, in

connection with Yunnan realities, and based on the principle of promoting stability and unity, ensuring the continuity of reforms and opening up, helping the implementation of the tasks set by the 13th party congress, and making overall arrangements, the provincial party committee has prepared suggestions regarding the lists of candidates for election as leaders of the three bodies, to be submitted to the People's Congress and CPPCC session. [passage omitted]

North Region

Beijing First Quarter Export Figures Up
OW181208 Beijing XINHUA in English 0831 GMT
14 Apr 88

[Text] Beijing, April 14 (XINHUA)—Beijing's exports hit 263 million U.S. dollars during the first three months of this year, or 33.1 percent more than the same 1987 period, a capital Foreign Economic Relations and Trade Committee official announced today.

Of the city's import-export corporations, the Beijing Machinery Import-Export Corporation has met 49.9 percent of the firm's 1988 export target, or a jump of 138.8 percent over the same period last year, while the city's medicine, garment, handicrafts and jewelry import-export corporations have completed 40 percent of their total export quotas for this year.

The official attributed the increases to foreign trade system reform, which includes export contracts written at the company level; specific policies for stimulating producers and trading agents; and more attention to product quality to make export commodities more competitive on the international market.

Beijing now exports more than 1,000 different items to 130 countries and regions, and this year, the capital's total export volume is expected to hit 910 million U.S. dollars.

Beijing Industrial Output Up in First Quarter
OW190539 Beijing XINHUA in English 1321 GMT
16 Apr 88

[Text] Beijing, April 16 (XINHUA) — The industrial output value of Beijing in the first three months of this year totalled 9.31 billion yuan, up 15.3 percent over the same period of last year, the municipal Planning Committee announced here today.

Of the total industrial output value, the electronic and motor vehicle industries increased by 35.9 percent and 28.3 percent respectively.

The municipality approved 25 foreign investment contracts involving 240 million U.S. dollars in the first quarter of this year, and exported 263 million U.S. dollars worth of goods, up 32.1 percent over the same period last year.

The city received 215,000 overseas visitors, up 24 percent.

Beijing's financial income in the first quarter totalled 1.57 billion yuan, an increase of six percent over the same period last year.

But retail sales prices went up 10.1 percent in the first quarter, according to the municipal Planning Committee.

Beijing Develops Social Welfare Network
OW182357 Beijing XINHUA in English 1712 GMT
15 Apr 88

[Text] Beijing, April 15 (XINHUA)—Beijing's senior citizens, handicapped, and mentally retarded are now enjoying the benefits of the capital's social welfare network.

Of Beijing's 97 residential districts, 76 have created a social welfare network, which includes 51 retirement homes, 45 care centers for handicapped children, 37 mental health clinics, 289 recreation facilities for the elderly, and other support offices.

The city also boasts more than 17,300 places which make lunch for children whose parents can't come home from work at noon, and has opened training centers for children who are deaf, mentally retarded, or slow learners. The network also includes massage clinics operated by the blind and many repair shops.

Beijing's Bureau of Civil Affairs requires every residential district should run at least one welfare factory, one retirement home, and one senior citizen's recreational center.

Local neighborhood committees have been successful at pooling money to fund the capital's social welfare services, shifting the projects from state-run to society-run ventures, supported by more than 1.5 million volunteers.

City-owned facilities now being built include an in-patient mental health clinic with 500 beds and a recreational center for handicapped children.

In Beijing, 9.6 percent of the population is over the age of 60, and 410,000 handicapped individuals reside in the capital.

Official Notes 'Serious' Beijing Air Pollution
OW182150 Beijing XINHUA in English 1412 GMT
18 Apr 88

[Text] Beijing, April 18 (XINHUA)—"Beijing is one of the world's metropolises which is facing a serious air pollution problem," said Qu Geping, director of the state Environmental Protection Agency.

Speaking at a press conference today, Qu said that Beijing's dust condensation standard averages 700 micrograms, higher than some major cities in the world.

Many Beijing firms burn coal to generate electricity, heat water, and smelt steel, while many families still use coal for cooking. In addition, Beijing streets handle some 400,000 automobiles which haven't been equipped with pollution control devices.

"As a result, the city's air pollution has become very serious." Qu said, "especially in the winter, when factories, businesses, schools and families use coal for heat."

Cheng Zhenhua, vice-director of the state Environmental Protection Agency said, the state plans to provide Beijing residents with more better quality coal and require firms to install scrubbers in their chimneys.

"The agency is also working out the regulations which will require all Beijing's automobiles to install pollution control equipment," he added.

Shanxi Mines Benefit From Contract System
OW190311 Beijing XINHUA in English 1907 GMT
15 Apr 88

[Text] Beijing, April 15 (XINHUA)—The contract responsibility system, which has been operational for 3 years in Shanxi Province, has brought the local state-run coal mines' productivity close to that of the world's advanced coal-producing countries, according to former Coal Minister Yu Hongen.

The 7 big coal bureaus, which administer altogether 41 mines, produced 88 million tons of raw coal in 1987, which is about 40 percent of the total capacity of the whole province and 15 million tons more than the figure in pre-reform 1984. At the same time, 40,000 less workers were employed than in 1984.

In 1985, according to Yu, who now guides the country's coal industry under the new Ministry of Energy, the seven coal bureaus signed a general contract of investment and output with the former Coal Ministry, that is, they contracted the production, losses, capital construction investment and scale. At the same time, a policy of linking payment with output was adopted.

Since the reform, Yu said, the mechanization and safety levels have risen year by year, and are now close to those of the East European countries.

Poor Management Ruins Shanxi Brewery
OW182338 Beijing XINHUA in English 1033 GMT
18 Apr 88

[Text] Taiyuan, April 18 (XINHUA)—Poor management has brought a former booming business in this capital of Shanxi Province to the brink of bankruptcy.

The Taiyuan brewery reshuffled its leadership in 1984. At first the new managers tried hard to improve product quality as well as develop new beverage varieties.

However, the factory began to decline in 1986. State funding earmarked for technological renovations was used instead to build dormitories.

To avoid criticism and investigation, the factory leaders used 171 cases of liquor to bribe the leaders and higher-ups supervising the brewery, according to local officials.

Over the next two years, the factory devoted almost 30 percent of its output to bribing various officials. "Over 166,371 bottles of liquor have been taken away gratuitously from the factory under various excuses and pretexts," a local auditor said.

According to the auditor, the factory now has a deficit of one million yuan and the factory director has already been demoted.

'Big Demand' for Sex Education in Tianjin

OW190543 Beijing XINHUA in English 1315 GMT
16 Apr 88

[Text] Beijing, April 16 (XINHUA) — A series of lectures on sex education in Tianjin is attracting a big demand, so much so that parents, students and Chinese Communist Youth League members are resorting to "back door" tactics to attend them, according to today's "CHINA YOUTH NEWS".

The lectures, on "sexual physiology and psychology among the youth", began 12 April. They are co-sponsored by Tianjin Youth Federation, Tianjin Family Planning Association, the Sociology Department of Nankai University and Tianjin Medical College.

An organizing official said the demand had been overwhelming and people had used "back door" tactics to get tickets for the lectures. "Sex education has been ignored for too long," he said.

Sex education is still rejected by many in China, the official said. This has led to many young people receiving "unscientific" sex information from illegal publications.

Northeast Region

Heilongjiang Builds Export Bases, Boosts Exports

OW181348 Beijing XINHUA in English 0706 GMT
14 Apr 88

[Text] Harbin, April 14 (XINHUA)—Heilongjiang Province in northeast China has set up 75 export-oriented commodity bases to boost its foreign trade, a local Foreign Trade Bureau official reported today.

Thanks to the bases, the province exported more than 200 million U.S. dollars worth of goods in the first quarter of this year, or 35.5 percent more than the same 1987 period. Last year the province logged 810 million U.S. dollars worth of exports, or 34.27 percent more than the previous year.

With rich natural resources, Heilongjiang ranks first nationwide in the production of soyabbeans, beets, flax, cattle, dairy products, crude oil, and timber. The province has also a comprehensive system of industry, with over 400 major enterprises in petrochemical, machinery, textile, electronics, metallurgical and other industries.

The official also said, state policies which allow export-oriented bases to directly export products and retain a certain percentage of the foreign currency earned, and offer more autonomy in arranging investment and funding have made enterprises more profitable.

The Harbin power plant equipment enterprise group pulled in 230 million U.S. dollars last May via contracts to build and install three turbo-generator sets each with a generating capacity of 210,000 kilowatts immediately after the company was granted more autonomy in exporting products.

Heilongjiang Scientists Survey Wasteland

OW181338 Beijing XINHUA in English 0942 GMT
14 Apr 88

[Text] Harbin, April 14 (XINHUA)—A land survey in northeast China's Heilongjiang Province has confirmed that there are still 2.11 million hectares of wasteland on the Heilong-Usuli-Songhua River plain.

Of this wasteland area, 1.16 million hectares could be used for agriculture, 399,000 hectares are suitable for animal husbandry, 166,000 hectares need afforestation and the remaining 385,000 hectares are marshland.

Scientists from the province's Land Survey and Planning Institute just surveyed the plain, and their results were approved by provincial authorities this week.

The survey is in preparation for large-scale exploitation of the plain, which will include the setting up of state agricultural products bases.

Based on the survey results, the scientists have suggested a multi-purpose use plan for the area.

Radio Commentary Reviews Taiwan Relations Act
OW190933 Taipei International Service in English
0200 GMT 10 Apr 88

[Station commentary: "A Review of the Taiwan Relations Act"]

[Text] A symposium on ROC [Republic of China]-U.S. relations under the Taiwan Relations Act was held this week in Taipei. The meeting was attended by well-known Americans and Chinese scholars and a few present and former government officials from both countries.

The purpose of the symposium was to review the status of ROC-U.S. relations since the severance of diplomatic relations in 1979. In the decade since, ROC-U.S. relations have been conducted on an unofficial basis under the auspices of the Taiwan Relations Act, or TRA for short. The TRA is a domestic law of the United States that was signed on 10 April 1979, only 4 months after U.S. President Jimmy Carter shocked the Americans and the Chinese alike with a sudden announcement of his intention to sever diplomatic relations with the ROC. The law came about after a ground swell of public support in the United States caused the U.S. Congress to make some amends on the damage Carter had done to ROC and U.S. interests. Carter had ineptly sought to abandon the ROC, but the American public and Congress would have nothing of that shabby treatment of an old friend in the Republic of China.

The TRA is controversial in that it is a unique piece of domestic legislation that governs foreign policy or foreign relations concerns. It is also controversial in that it is a source of tension between the United States and Communist China. The Chinese Communists in Peking maintain that the TRA is a violation of, quote and unquote, China's sovereignty, and that is a roadblock to better Washington-Peking relations. The United States, on the other hand, holds that the TRA merely reflects the reality that Taiwan is currently not a part of Communist China. Peking has tried over the years to break America's resolve on keeping TRA around. It is no secret to Washington that Peking wants the U.S. Congress to abolish the TRA and commit the United States totally to relations with Peking. But the U.S. Congress has stood firm in its support for the TRA and it remains highly unlikely that the Congress will abolish or even amend the law any time soon.

Here in Taipei, the officialdom has gradually got used to the necessity of the TRA. Originally, many officials held that the TRA would be an inadequate channel for the maintenance of the unofficial ROC-U.S. relationship. But, the realization is gradually sinking in that the TRA would be the best option available to the United States and ROC under the complex circumstances of Taipei-Washington, Washington-Peking relations.

At this week's conference, most participants agreed that with a few exceptions the TRA is doing its job well. The exceptions include some unfulfilled clauses in the TRA, such as the number of offices the ROC may open in the States. The TRA says the ROC can have its original number of 14, but only 10 have opened so far. There were also some long discussions about whether or not the United States is meeting its commitments stated in the TRA to provide the ROC with adequate security assistance.

A conclusion however is that the TRA has helped the ROC and the U.S. to stay on a prosperous path of growth. Such a conclusion should help to strengthen support for the TRA even more.

Principles in Buying U.S. Goods Outlined
OW190735 Taipei CNA in English 0356 GMT 19 Apr 88

[Text] Taipei, April 79 (CNA)—The Government of the Republic of China still insists on certain principles even when it decides to give American products priority in procurement for major construction projects. Y. T. Chao, chairman of the Council for Economic Planning and Development, said Monday.

In answer to an interpellation from a lawmaker at the Legislative Yuan, Chao said the government in principle procures equipment for big construction projects through an open bidding system.

However, when the government must buy American products in consideration of national policy, procurements must meet four requirements:

- they should be conducted through open bidding to select from different American suppliers rather than from a preselected supplier or brand;
- the prices must be competitive;
- the quality must meet certain standards; and
- the equipment must be surely produced by American companies.

Premier on Mainland Trade, Meets U.S. Editors
OW190113 Taipei CNA in English 0327 GMT 15 Apr 88

[Text] Taipei, April 15 (CNA)—Premier Yu Kuo-hua said Thursday that the increasing impact of the Republic of China's [ROC] economic achievements and political reforms has stimulated the Chinese Communists to gradually renounce communism. The faster the ROC has progressed the greater the pressure it would put on the Chinese Communists, Yu said, while receiving Robert L. Bartley, chief editorial writer of the U.S. WALL STREET JOURNAL; and Claudia A. Rosett, chief editorial writer of the journal's Asian edition.

He told the American journalists that the ROC Government will not allow local businessmen to conduct direct trade with their counterparts on the Chinese mainland because the Chinese Communists are very likely to use the trade to infiltrate into the nation, and that to expand

trade with the mainland may hinder the ROC's efforts in upgrading local industrial structure. Furthermore, he said, Taiwan businessmen's interests may not be fully protected during the trade as a result of the divergent systems and law on both sides of the Taiwan Straits, he added. The premier pointed out that the ROC'S foreign trade grew rapidly even though local businessmen had not conducted trade with the mainland in the past. The ROC will continue to keep its eyes on the world markets and to sharpen its competitive edge, he said.

As to whether the ROC will allow mainland students now studying abroad to visit Taiwan, Premier Yu said, "the issue is under consideration but no final decision has yet been made." He, however, said, "we cannot brush aside the possibility that there may be communist tricks behind it." Commenting on the economic reforms on the mainland, Yu said it will be very hard for the reforms to succeed because there are no corresponding political reforms in coping with its process. Most important, he noted, communism itself is the biggest obstacle to the reforms.

Premier Yu emphasized that the ROC Government is determined to implement the nation's economic liberalization and internationalization. However, he said "Taiwan is not likely to replace Hong Kong completely as a world monetary center in the future because there are still other goals the ROC has to accomplish."

Economic Minister Warns of Investing in Mainland
OWI90119 Taipei Domestic Service in Mandarin
2300 GMT 14 Apr 88

[Text] Minister of Economic Affairs Li Ta-hai has urged domestic firms not to expect too much from the mainland market because we do not have a good grasp of the mainland system. He said that any hasty action will bring on many difficulties for us. Minister Li Ta-hai noted that the Ministry of Economic Affairs has directed the Bureau of Foreign Trade to study lifting the ban on importing from the mainland raw materials not found in Taiwan. No conclusion has been reached because such a move involves a wide range of questions.

Touching on investment and establishing factories on the mainland, Minister Li urged domestic entrepreneurs to act calmly, adding that they should take into account the electricity supply and the quality of workers in addition to wavering policies on the mainland. He stressed that domestic firms should think of upgrading their technological level and should not constantly seek cheap labor outside the country. He said that even if they succeed in establishing factories outside the country, the outcome will pose a threat to local industries and, finally, cut off their lifeline.

Limits of Peking, Moscow Openness Noted
OWI82333 Taipei International Service in English
0200 GMT 11 Apr 88

[Station commentary]

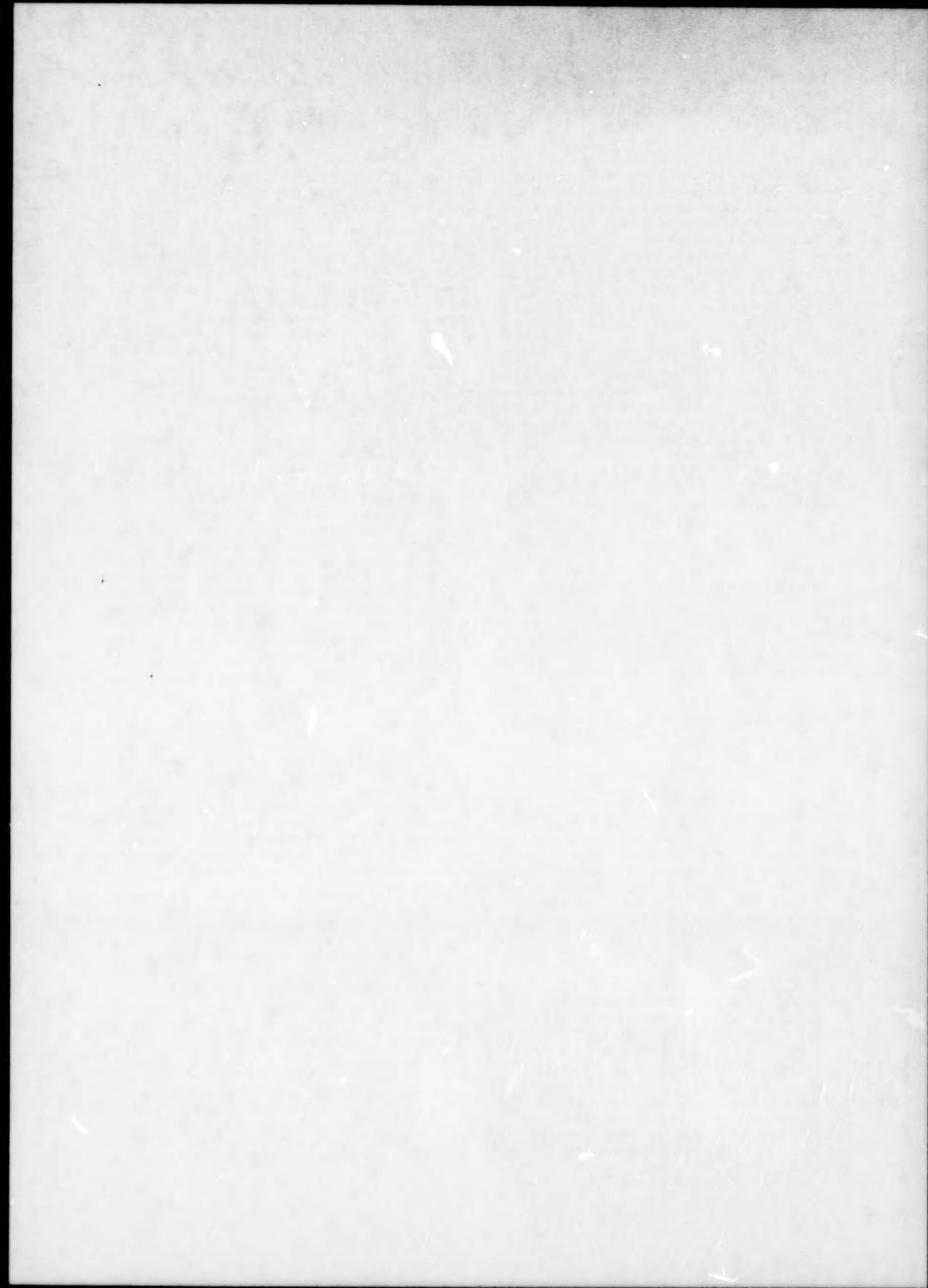
[Text] It seems as if a little bit of Mikhail Gorbachev's glasnost policies have rubbed off on the Chinese Communist regime in Peking, judging by the amount and vigor of the criticisms heard during the National People's Congress there. The congress started out as a new exercise in limited democracy for the Chinese Communists as some of the delegates earned the right to attend by way of multicandidate local elections. The head of the Communist Party, Chao Tsu-yang, said the multicandidate elections would be the, quote, order of the day, unquote, in the future.

In another nod toward Gorbachev-style openness, delegates at the congress debated issues raised in the work report and also debated points raised by Premier Li Peng in his opening address. Most important, however, were the criticisms and dissent voiced by representatives from rural regions. One after another these delegates rose to criticize the economic policies of the central leadership. A major charge was that economic open door policies favor urban workers, and that as a result, urban dwellers have reaped much more benefits from the new economic policies when compared to their rural counterparts. The lopsidedness of urban versus rural development became a key point of contention during the congress. The criticisms were heated at times and were well-publicized throughout Mainland China.

Publicity was something the Chinese Communist leadership had in mind all along. Daily press conferences were held with local and foreign media, and some parts of the congress proceedings were televised live mainland-wide. The Chinese Communists wanted the expanded propaganda to help them create a new glasnost-like image. Some observers noted that Peking felt the need to use the media coverage as a means of putting to rest doubts about the continuation of the economic reform program. The congress was indeed draped in publicity and did indeed provide plenty of stumping for the economic reform program headed by Communist China's paramount leader, Teng Hsiao-ping.

Mainland Chinese newspapers have also been ablaze lately with glasnost-type tales of official corruption, and letters and articles that are unusually critical of the communist system there. Old taboos are quickly falling by the wayside as the public openly examines such things as bureaucratic nepotism, economic crimes, and even social issues such as sexual relations.

But neither all the glasnost in the world nor all the tea in Mainland China will change the fact that the Chinese Communists are staying firmly entrenched in their totalitarian grip on power. There was never any question about that despite the fact that much of the new, refreshing glasnost-style openness got a lot of attention in the foreign media. The thing about glasnost as practiced in both the Soviet Union and Communist China is that it involved merely bits and pieces of freedom and openness. So far, neither Moscow nor Peking is willing to take it to the limit.



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